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THE ONTARIO MILK MARKETING BOARD

CONTENTS

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Message from the Chairman 1

Report from the Board

Milk Production and Supply Management 2
National Dairy Policy 4
Milk Pricing 6
Quotas and Quota Policy 6
Milk Quality 8
Producer Services 8
Producer Pools 10
Milk and Cheese Marketing 10
Transportation 12
Planning and Research 12
Market Expansion Activities 14
Board/Industry Relations 14
Producer Licence Fees 16
The Board and Its Staff 16

Financial Reports:

Balance Sheet 18
Statement of Market Expansion Funds 20
Details of Grants 20
Statement of Quota Exchange Funds 21
Statement of Dairy Science Research Chair Fund 21
Statement of Income and Retained Income 22
Statement of Changes in Financial Position 23
Pool Operations 24
Market-sharing Quota Levies 24

Members of the Board 25
Milk Transportation Review 26
Market Expansion Programs 28
Head Office Senior Staff 31
Ontario Dairy Princess 1988-89 32

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Message from the Chairman of the Board

J. Grant Smith

Un Message du Président de L'Office

This has been a particularly hectic year.

In addition to the Board's usual on-going responsibilities for marketing milk, we became involved in a tough struggle to preserve the essential features of our industry's supply management system. As our country moved from a trade agreement with the United States into discussions regarding the General Agreement on Tariffs and Trade (GATT), we expected stiff challenges and we were not disappointed!

First, there was a Federal Government commitment in April, 1989, as part of the GATT negotiations, to cap industrial milk prices until the end of 1990. Our industry fought long and hard against that grossly unfair commitment, and we managed to salvage a modest industrial milk price increase effective August 1, 1989. That change of heart by the Federal Government, however, has not resulted in any change, apparently, in its commitment to the price cap under GATT. So we may have another pricing battle on our hands in 1990.

The second major blow occurred towards the end of the year, when a GATT panel found that Canada's restrictions on the importation of ice cream and yoghurt were not justified under Article XI. Together with Dairy Farmers of Canada and our milk producing colleagues from other provinces, Board representatives have been urgently involved in discussions on how best to revise Article XI. It is imperative, if our supply management program is to continue, to have that Article re-enforced in GATT without further ambiguities or uncertainties.

During the course of the year we met other important challenges such as helping preserve the National Milk Marketing Plan and, closer to home, reaching an agreement with Ontario processors over the long-simmering "butterfat dispute".

In the year ahead, the Board will not be wanting for further challenges, particularly with milk pricing, the GATT negotiations and the Dairy Task Force's deliberations in full swing.

I have every confidence that the Board, with the traditional support of the staff and Milk Committees, will be equal to the task in 1990 and beyond.

Nous venons de vivre une année particulièrement mouvementée.

En plus de toutes les responsabilités habituelles de l'Office concernant la mise en marché du lait, nous nous sommes engagés dans une lutte difficile pour préserver les caractéristiques essentielles du système de gestion des approvisionnements de notre industrie. En raison de la ratification d'un accord commercial avec les États-Unis, puis des discussions actuelles sur l'Accord général sur les tarifs douaniers et le commerce (GATT), nous nous attendions à des défis de taille et, à cet égard, nous avons été bien servis!

D'abord, le gouvernement fédéral s'est engagé en avril 1989, dans le cadre des négociations du GATT, à plafonner le prix du lait de transformation jusqu'à la fin de 1990. Après s'être énergiquement battu contre cette promesse injuste, notre industrie a réussi à conserver une modeste augmentation, entrée en vigueur le 1er août 1989, du prix du lait de transformation. Ce geste du gouvernement n'a manifestement pas eu de répercussions sur son engagement relatif au plafonnement du prix en vertu du GATT. Par conséquent, il se peut que nous ayons de nouveau à nous battre à ce sujet en 1990.

Un deuxième coup dur nous a été porté vers la fin de l'exercice lorsqu'un tribunal du GATT a statué que les restrictions sur les importations de crème glacée et de yogourt imposées par le Canada étaient injustifiées en vertu de l'article XI. Conjointement avec la Fédération canadienne des producteurs de lait et les producteurs de lait des autres provinces, les représentants de l'Office participent à des discussions fébriles sur la meilleure façon de réviser l'article XI. Il est impératif, pour le maintien de notre programme de gestion des approvisionnements, de renforcer cet article du GATT et d'éliminer toute ambiguïté ou incertitude.

Au cours de l'exercice, nous avons relevé d'autres importants défis; nous avons contribué à la sauvegarde du Plan national de commercialisation du lait et, plus près de nous, conclu une entente avec les transformateurs de l'Ontario pour mettre fin au long différend sur la matière grasse.

L'année à venir apportera d'autres défis à l'Office, car la question du prix du lait, les négociations du GATT et les délibérations du groupe de travail sur la politique laitière ne manqueront pas d'en soulever.

J'ai pleinement confiance que l'Office, avec l'appui habituel du personnel et des comités laitiers, sera à la hauteur de la tâche qui l'attend en 1990.

Milk Production and Supply Management National Plan remains intact

Total milk supplies available in Ontario for marketing by the Board during the past fiscal year were 2.356 billion litres. This represented a decline of 46 million litres, or 1.9 per cent on the previous year.

Increases in production during the early months of the year helped considerably to reduce the seasonality factor. However, as the year progressed, there were some rapid cuts in production which led to a reversal in the positive seasonality trend.

With regard to the national supply management program, the past year has been a rather mixed one. On the one hand, levy rates were reduced for 1988/89 because of the continued improvement in prices of dairy products on world markets but, on the other hand, a reduction in requirements occurred for the domestic market.

Canadian milk and cream marketings for the 1988/89 dairy year amounted to 48.77 million hectolitres (or 2.8 per cent over quota) compared to a domestic requirement level of 45.26 million hectolitres. The latter was down by 1.4 per cent on the previous dairy year.

In Ontario, milk and cream producers shipped 54.647 million kilograms of butterfat in the 1988/89 dairy year representing a provincial utilization of 103 per cent. The average butterfat test on industrial milk was 3.927 kg per hectolitre, or 1.0 per cent higher than in the previous year.

Provincial subsidy entitlement for the dairy year ended up at 51.868 million kg, or 97.8 per cent of the provincial MSQ. Following year-end adjustment, Ontario milk producers received the direct payment of $6.03 per hectolitre on 98.4 per cent of their individual MSQ.

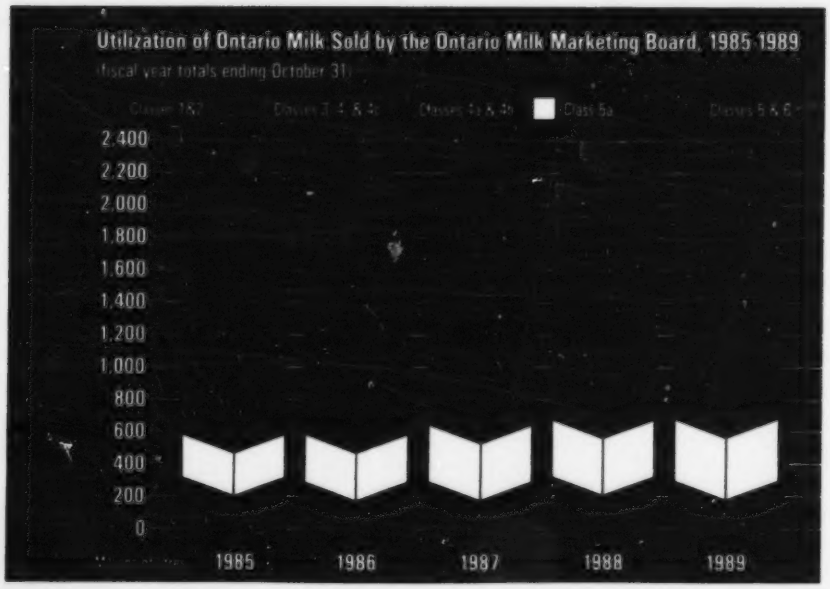
Ontario's levy obligations for the 1988/89 dairy year totalled $48.346 million. Board collections, based on provincial levy rates of $2.35 and $26.50 per hl for within and over-quota shipments respectively, amounted to $43.837 million. This required reserves to be used to meet the shortfall compared to the total levy obligations. The overall result was that the Board ended the 1988/89 dairy year with a reduced reserve of almost $5 million out of which to finance over-quota levy refunds for that year. Therefore, when it was decided to make refunds in October on over-quota shipments up to the 102 per cent level of individual MSQ, this used up $3.257 million of that reserve.

The remaining reserve of $1.693 million was carried forward into the 1989/90 dairy year along with the refund of $6.904 million from the surplus in the national levy account, to make a total reserve of $8.597 million. Since Ontario decided to continue the within-quota levy of $2.35 per hl for the 1989/90 dairy year, compared to a national rate of $2.90, it is estimated that Ontario's share of the national reserve will thereby be utilized. The uncommitted reserve of $1.6 million represented a safeguard against future increases in levy rates. The over-quota levy rate was increased to $30 per hl for the 1989/90 dairy year.

A further point worthy of mention in regard to levy rates is that the 1989/90 national levy budget contains an additional $4.5 million as a direct result of the federal budget cuts to the dairy industry that were announced in April, 1989. Of that figure, $3 million represented the storage and carrying costs associated with the structural surplus of skim milk powder. The remaining $1.5 million was to offset those administrative expenses of the Canadian Dairy Commission (CDC) associated with the marketing of surplus product on the world market.

Turning to the subject of the National Plan, the Board is happy to report that an agreement was finally achieved by the Canadian Milk Supply Management Committee (CMSMC) for keeping British Columbia in the Plan. After more than a year of discussion and negotiation on the package of proposals put forward in July, 1988, by the CMSMC's Study Team, there was only one major difference in the final agreement compared to the original package. This was that British Columbia was granted an extra 43,000 kg of MSQ in recognition of the negative effect which cross-border fluid milk purchases are having on British Columbia's MSQ allotment under the 65:35 commitment. It is also stressed that all participants in the Plan have agreed not to use the opt-out clause for a period of five years.

One result of accepting the package of



Production de lait et gestion des approvisionnements - Le Plan national demeure intact

Au cours de l'exercice écoulé, l'Office a mis en marché 2.356 milliards de litres de lait, une diminution de 46 millions de litres, soit de 1.9 %, par rapport à l'exercice précédent.

L'augmentation de la production lors des premiers mois de la campagne laitière a aidé considérablement à réduire les variations saisonnières. Cependant, il y a eu par la suite des baisses rapides de la production, ce qui a conduit à un renversement de cette tendance positive.

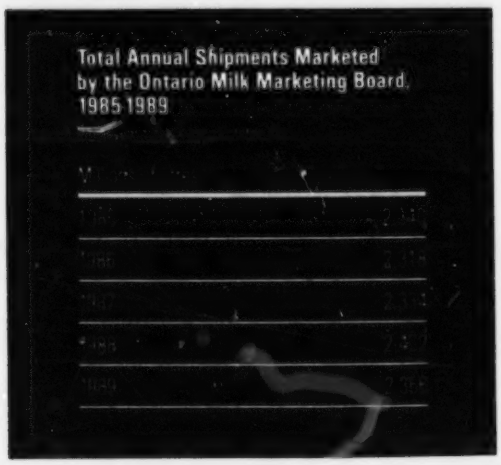
Quant au programme national de gestion des approvisionnements, les résultats du dernier exercice ont été inégaux. D'une part, les taux de prélèvement pour 1988-1989 ont été réduits en raison de l'amélioration soutenue du prix des produits laitiers sur les marchés mondiaux, mais, d'autre part, il y a eu un fléchissement de la demande intérieure.

Dans l'ensemble du pays, les mises en marché de lait et de crème de la campagne laitière 1988-1989 ont atteint 48,77 millions d'hectolitres (un excédent de 2,8 % du quota), alors que la demande intérieure s'est élevée à 45,26 millions d'hectolitres, marquant une baisse de 1,4 % par rapport à la campagne précédente.

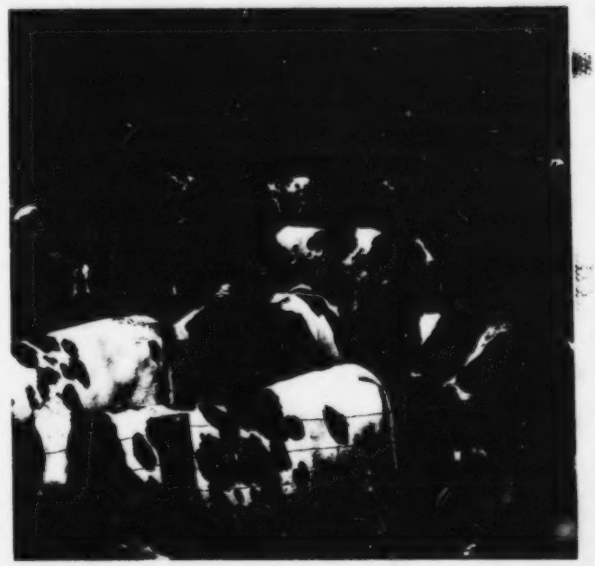
Les producteurs de lait et de crème de l'Ontario ont livré 54,647 millions de kilos de matière grasse au cours de la campagne laitière 1988-1989, ce qui correspond à 103 % du QMM de la province. La teneur du lait de transformation en matière grasse s'est située à 3.927 kg/hl, une augmentation de 1.0 % sur la campagne laitière précédente.

Le niveau provincial ouvrant droit aux subventions a été de 51,868 millions de kilos, soit 97.8 % du QMM provincial. Après la régularisation de fin d'exercice, les producteurs de lait ontariens ont reçu une subvention à raison de 6,03 $/hl, pour 98.4 % de leur QMM individuel.

Les engagements de prélèvements de l'Ontario, pour la campagne laitière 1988-1989, se sont élevés à 48,346 M$. Les prélèvements de l'Office, à raison d'un taux provincial de 2,35 $ et de 26,50 $ l'hectolitre sur les livraisons intérieur-quota et en excédent de quota respectivement, ont atteint 43,837 M$. Il a fallu puiser dans les réserves pour faire face aux engagements. L'Office a donc terminé la campagne 1988-1989 avec une réserve réduite à presque 5 M$, à même laquelle il a dû effectuer les remboursements de prélèvements d'excédent de quota. Quand il a été décidé en octobre de rembourser, jusqu'à 102 % du QMM individuel, les prélèvements sur les livraisons excédentaires, 3,28 M$ de cette réserve ont été utilisés à cette fin.



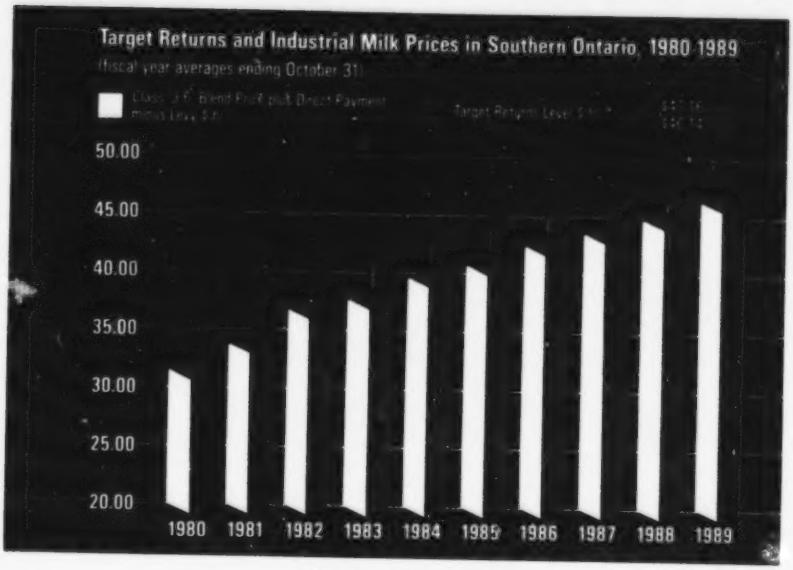
Le solde de 1,693 M$ de la réserve a été reporté à la campagne 1989-1990, de même que le remboursement de 6,904 M$ sur le surplus du compte national des prélèvements, ce qui a porté le total de la réserve à 8,597 M$. Comme l'Ontario a décidé de maintenir un prélèvement intérieur-quota de 2,35 $/hl pour la campagne 1989-1990, comparativement à un taux national de 2,90 $, on estime que la part de l'Ontario dans la réserve nationale sera utilisée de cette façon. La réserve non affectée de 1,6 M$ constituait une sauvegarde contre les augmentations éventuelles des taux de prélèvement. Le taux de prélèvement en excédent de quota a été porté à 30 $/hl pour la campagne 1989-1990.



Un autre point important à mentionner est que le budget national 1989-1990 prévoit 4,5 M$ de plus au poste des prélèvements, en conséquence directe des coupures du budget fédéral, annoncées en avril 1989, à l'égard de l'industrie laitière. Sur ce montant, 3 M$ représentaient les frais de stockage associés au surplus de poudre de lait écrémé. Le 1,5 M$ restant devait compenser les frais administratifs de la Commission canadienne du lait (CCL), engagés pour la mise en marché des surplus sur les marchés mondiaux.

Quant au Plan national, l'Office a le plaisir d'annoncer que le Comité canadien de gestion des approvisionnements de lait (CCGAL) en est arrivé à une entente avec la Colombie-Britannique pour qu'elle continue de participer au Plan. Après plus d'une année de pourparlers sur l'ensemble des

proposals referred to above, relates to the way the skim-off levy will be calculated provincially. That levy, for the dairy year ending July 31, 1989, amounted to $0.3015 per hl of Class 1 sales and was collected by the Canadian Dairy Commission by means of a holdback from the direct payment cheque issued by the CDC. From now on, the province's obligation will be based on its contribution to the national skim-off volume



calculated at a rate of $1.25 per hl of net skim-off - this will cost Ontario an estimated extra half-million dollars in the 1989/90 dairy year. The holdback method of collection by the CDC will continue until such time as the provincial legislation can be amended to enable the Board to finance the levy via a direct deduction on the producer's monthly statement based on his Class 1 sales volume.

National Dairy Policy -
An extremely busy year

International trade negotiations have a really vital effect on Canada's dairy policy and on the future viability of the domestic milk producers. Because of developments in regard to the General Agreement on Tariffs & Trade (GATT), trade matters were an ongoing and very major concern of the Board over the entire year.

The Board works closely with Dairy Farmers of Canada (DFC) in such matters, since DFC is the lobby organization for all Canadian dairy farmers at the national level. Therefore, through DFC, representations were made to the Federal Government on numerous occasions throughout the past year on various aspects of the GATT. The overall objective continued to be to preserve supply management and its underpinnings.

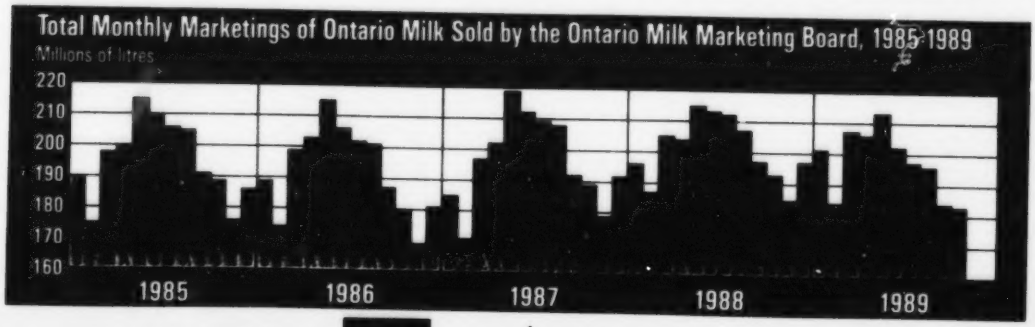
Towards the end of the year, the supply management concept was dealt a blow when a GATT panel found that Canada's restrictions on the importation of ice cream and yoghurt were not justified under Article XI. It will be recalled that Canada added these products to its import control list in January, 1988, following the conclusion of the Canada/US trade deal, and that such action was subsequently challenged by the United States.

Following release of the GATT panel's decision, DFC immediately obtained legal advice in developing a revised wording for Article XI to correct the ambiguities and uncertainties in the existing Article, and submitted the proposals to the Canadian Government. In addition, substantial efforts were commenced to obtain support from other countries for Canada's position on supply management in relation to GATT. These moves also had the support of the Government of Ontario.

The outcome of all these efforts will not likely be known for some time, and in fact the problems may not be resolved until the conclusion of the overall GATT negotiations at the end of 1990. In the meantime, Canada continues to operate its milk supply management program without modifications and the Board will continue to defend supply management most vigorously.

Another major issue that dominated discussions in the dairy industry in the past twelve months was the matter of industrial milk pricing. Once again, GATT had a significant effect on developments.

The focus of attention at the beginning of the year was on the need to develop an acceptable method of indexing for industrial milk price adjustments under the federal formula. But in April, 1989, the Canadian Government made a



propositions avancées en juillet 1988 par le groupe d'étude du CCGAL. il n'y avait qu'une modification majeure dans l'entente finale par rapport à l'ensemble initial. La Colombie-Britannique a obtenu que son QMM soit augmenté de 43 000 kg pour compenser l'effet négatif qu'ont sur son QMM les pertes de lait de consommation outre-frontière aux termes de l'engagement à 65-35. Il faut aussi souligner que tous les participants du Plan ont accepté de ne pas se prévaloir de la clause de retrait pendant cinq ans.

Une conséquence de l'acceptation des propositions susmentionnées a trait à la méthode dont le prélèvement sur l'écrémage sera calculé au niveau provincial. Ce prélèvement s'est élevé à 0.3015 $/hl sur les ventes de lait de classe 1 pour la campagne laitière qui s'est terminée le 31 juillet 1989. La Commission canadienne du lait le perçoit par retenue sur les subventions. Dorénavant, l'engagement de la province dépendra de sa contribution au volume national d'écrémage calculé à un taux de 1,25 $/hl d'écrémage net. Cette mesure coûtera à l'Ontario environ 0,5 M$ de plus pour la campagne laitière 1989-1990. La méthode de retenue de la CCL sera utilisée jusqu'à ce que la loi provinciale soit modifiée pour permettre à l'Office de retenir le prélèvement à la source, sur le paiement mensuel au producteur, en fonction de son volume de ventes de lait de classe 1.

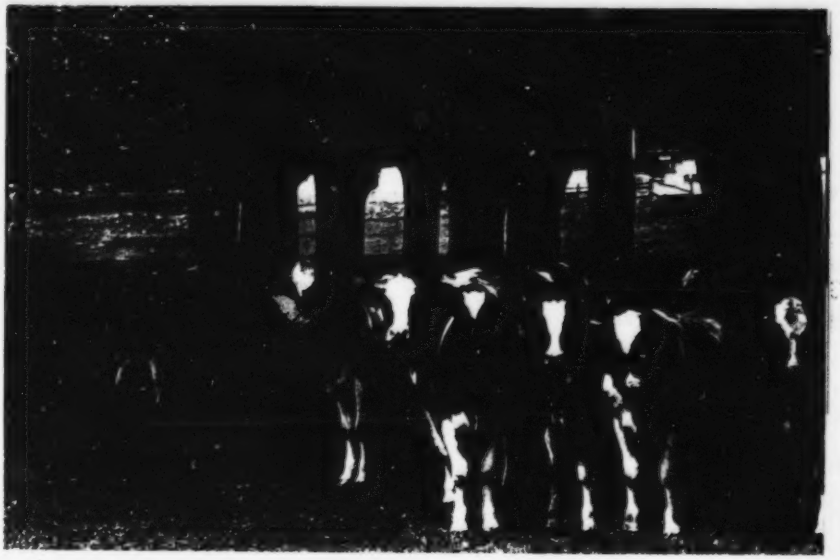
Politique laitière nationale -
Une année très chargée

Les négociations sur les échanges internationaux ont des répercussions vitales sur la politique laitière canadienne et sur la viabilité future des exploitations laitières du pays. En raison des développements relatifs à l'Accord général sur les tarifs douaniers et le commerce (GATT), les questions commerciales ont été une préoccupation majeure et constante de l'Office tout au cours de l'exercice.

L'Office a travaillé en étroite collaboration avec la Fédération canadienne des producteurs de lait (FCPL) sur ces questions, puisque la FCPL est l'organisme de pression des producteurs de lait à l'échelle nationale. Par conséquent, la FCPL a fait maintes représentations auprès du gouvernement fédéral au cours de l'exercice relativement à différents aspects du GATT.

Vers la fin de l'exercice, le concept de la gestion oes approvisionnements a été fortement ébranlé quand un tribunal du GATT a statué que les restrictions sur les importations de crème glacée et de yogourt imposées par le Canada étaient injustifiées aux termes de l'article XI. Rappelons qu'en janvier 1988, le Canada a ajouté ces produits à sa Liste de marchandises d'importation contrôlée après avoir conclu un accord commercial avec les États-Unis, qui ont par la suite contesté cette mesure.

À la suite de l'annonce de la décision du tribunal du GATT, la FCPL s'est empressée de consulter un conseiller juridique pour élaborer une révision de l'article XI qui serait dénuée des ambiguïtés et des incertitudes qu'il renferme sous sa forme actuelle. La FCPL a ensuite soumis ses propositions au gouvernement canadien. De plus, elle a déployé de grands efforts auprès d'autres pays pour qu'ils appuient la position du Canada sur la gestion des approvisionnements dans le cadre du GATT.



Le résultat de tous ces efforts ne sera probablement pas connu avant un certain temps, et, en fait, les problèmes risquent de persister jusqu'à la conclusion des négociations du GATT à la fin de 1990. Entre-temps, le Canada continue de pratiquer, sans modification, son programme de gestion des approvisionnements de lait, et l'Office continuera à défendre ardemment la gestion de l'offre.

Un autre important sujet de discussion dans l'industrie laitière au cours des douze derniers mois a été l'établissement du prix du lait de transformation. Encore une fois, le GATT a joué un rôle important.

Au début de l'exercice, toute l'attention portait sur la nécessité d'élaborer une méthode acceptable d'indexation des rajustements du prix du lait de transformation selon la formule fédérale. Mais en avril 1989, le gouvernement canadien et les autres pays membres du GATT s'engageaient à plafonner les prix du lait jusqu'à la fin de 1990. Cet engagement a été pris au moment même où le gouvernement fédéral annonçait, dans son budget du printemps, que les producteurs de lait canadiens doivent assumer, sans possibilité de compensation par un mécanisme de fixation des prix, des coûts supplémentaires de 14 M$ par année.

Encore une fois, l'Office et la CCPL, avec l'appui des comités laitiers de comté et des producteurs eux-mêmes, ont lancé un intense programme de lobbying pour sensibiliser le gouvernement et les

commitment, along with the other GATT members, to cap milk prices until the end of 1990. This occurred at a time when the Federal Government, in its Spring budget, announced that Canadian milk producers must assume, without recoupment under the pricing mechanism, additional costs of $14 million a year.

Once again, the Board and DFC, along with support from County Milk Committees and individual producers, launched an intensive lobbying program to make the Federal Government and politicians aware of the real hardships the combination of higher costs and no price increases would have on the family dairy farm. Moreover, it was stressed that the pricing cap would be harmful to domestic producers without having an impact on international trade in that Canadian dairy farmers, under the production discipline of their supply management program, did not contribute to instability and price depression on world markets.

These efforts resulted in the Federal Government finally making an increase of 39 cents per hl possible in the price of industrial milk effective August 1, 1989. However, the cap apparently will remain in place until the end of 1990. The price increase was achieved by raising the support prices for butter by 1.3 per cent to $5.167 per kg and for skim milk powder by 1.1 per cent to $3.046 per kg.

At the same time as this pricing decision was made known, the Federal Minister of Agriculture announced that a national Task Force had been set up to advise him on dairy matters and to identify options for the next long-term dairy policy commencing in 1991. The issue of pricing, including indexing, has been referred to the Task Force, along with other instructions to examine alternative price-setting mechanisms at arm's length from the government. Three representatives from DFC, who are involved in the Task Force, will ensure that milk producers' views are properly considered in the review.

Another national issue attracting attention during the year was the pricing of milk products for further processors of food products not covered by import controls, such as frozen pizzas. This controversial subject arose because under the US/Canada Free Trade Agreement, tariffs are being reduced for various products, with a possible outcome of US processors taking away Canadian markets from domestic manufacturers. DFC representatives on the Task Force will once again be putting forward the views of milk producers to protect producers' interests.

A further topic of national importance that has attracted considerable discussion in the past year concerned new federal regulations covering nutritional claims on packaging and labelling. The Board, along with DFC and the Dairy Bureau of Canada, made aggressive representations on this matter in an effort to safeguard milk's nutritional position. Unfortunately, despite the industry's efforts, the Federal Government proceeded to make it more difficult to launch many really positive claims for milk and dairy products unless the products were reduced fat or non-fat varieties.

Milk Pricing -
Modest changes

On May 15, 1989, the price for all Classes of milk was reduced by six cents per hl. This represented a final settlement to the long-standing butterfat dispute with processors arising out of the change to fresh milk sampling and testing in mid-1985. The adjustment was equivalent to the value of 0.01 kg of butterfat, whereas the processors' original claim represented a value of five times that amount.

Apart from the above adjustment, there was no movement in the Board's selling price for fluid milk, which was last changed in May, 1988, when a $2.00 per hl increase was implemented.

The fluid milk formula, which is used as a guide in establishing prices, is undergoing a thorough review. Contrary to some expectations, the formula was not showing any immediate need for a price increase by the end of the year. All of the data, and particularly labour inputs, are being scrutinized to ensure that prices for fluid milk are kept in line with true production cost changes.

As a result of the 39-cents-per-hl change on August 1, 1989, in producer target returns for industrial milk by the federal authorities - as outlined previously - the Board increased the prices for all the industrial milk Classes. In line also with its customary practices, the butterfat differential was increased at the same time by the Board to $0.6514.

The prices prevailing at the end of the current year compared with the previous year are shown in the table on page 7.

Quotas and Quota Policy -
No major changes

During the past year, 10.05 per cent of Group I

hommes politiques sur les répercussions néfastes qu'aurait, sur la ferme laitière familiale, une hausse des coûts qui ne s'accompagnerait pas d'une augmentation de prix.

Ces pressions ont amené le gouvernement fédéral à augmenter le prix du lait de transformation de 0,39 $/hl à partir du 1er août 1989. Cependant, le plafonnement sera manifestement maintenu jusqu'à la fin de 1990. La hausse a été réalisée en augmentant le prix de soutien du beurre de 1,3 % et celui de la poudre de lait écrémé de 1,1 %, les portant à 5,167 $/kg et à 3,046 $/kg respectivement.

Simultanément à cette décision, le ministre fédéral de l'Agriculture annonçait la création d'un groupe national de travail pour le conseiller sur les questions laitières et pour cerner des options possibles en vue de la prochaine politique laitière à long terme qui doit débuter en 1991. Ce groupe se penchera sur la question de l'établissement des prix, y compris l'indexation, et examinera de nouveaux mécanismes de fixation des prix. Les trois représentants de la FCPL qui participent au groupe de travail vont veiller à ce que les recommandations tiennent compte du point de vue des producteurs de lait.

Une autre question d'intérêt national qui a attiré l'attention au cours de l'exercice a été le prix des produits laitiers destinés à une transformation secondaire, en produits dont l'importation n'est pas contrôlée, les pizzas congelées, par exemple. Ce sujet controversé a fait surface parce qu'en vertu de l'Accord sur le libre-échange entre le Canada et les États-Unis, on réduit présentement les tarifs sur divers produits, ce qui a pour conséquence probable l'envahissement des marchés canadiens par les transformateurs américains au détriment de nos fabricants.

Un autre sujet d'importance nationale a alimenté des discussions considérables au cours du dernier exercice. Il s'agit des nouveaux règlements fédéraux visant les indications sur la valeur nutritive figurant sur les emballages et les étiquettes. L'Office, la FCPL et le Bureau laitier du Canada ont fait des représentations vigoureuses à ce sujet dans le but de sauvegarder l'image du lait comme aliment très nourrissant. Malheureusement, en dépit des efforts de l'industrie, le gouvernement fédéral a pris des mesures pour rendre plus difficile la valorisation du lait et des produits laitiers; en effet, plusieurs aspects vraiment positifs ne pourront être présentés à moins que la teneur en matière grasse des produits ne soit réduite ou nulle.

Établissement du prix du lait - Changements modestes

Le 15 mai 1989, le prix de toutes les classes de lait a été abaissé de 0,06 $/hl. Cette mesure est venue régler un long différend avec les transformateurs au sujet de la matière grasse. Ce problème remontait au milieu de 1985, lorsqu'on est passé aux analyses sur des échantillons de lait frais. La diminution correspond à la valeur de 0,01 kg de matière grasse, alors que les transformateurs avaient demandé une baisse représentant une valeur égale à cinq fois cette quantité.

À l'exception de l'ajustement susmentionné, le prix de vente de l'Office pour le lait de consommation est demeuré le même; la dernière augmentation de 2 $/hl remonte à mai 1988.

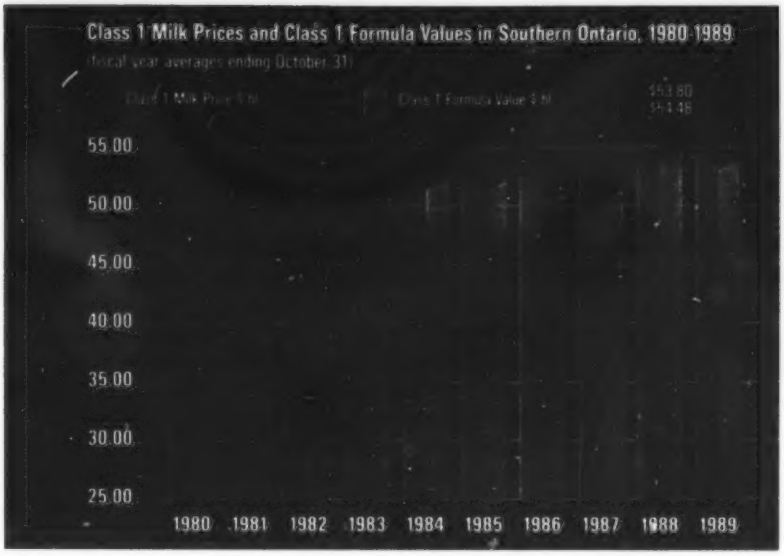
La formule du lait de consommation, qui facilite la fixation des prix, fait actuellement l'objet d'un examen approfondi. Contrairement à certaines attentes, la formule n'indiquait pas le besoin immédiat d'une augmentation des prix à la fin de l'exercice. Toutes les données, et particulièrement les frais de main-d'oeuvre, sont à l'étude pour assurer que le prix du lait de consommation suive les changements réels du coût de production.

En raison de la hausse fédérale de 0,39 $/hl décrite plus haut et en vigueur depuis le 1er août 1989, du prix du lait de transformation pour les revenus recherchés des producteurs, l'Office a augmenté le prix de toutes les classes de lait de transformation. Conformément aux pratiques courantes, l'Office a simultanément augmenté à 0,6514 $/hl la différence de prix en fonction de la teneur en matière grasse.

Les prix pratiqués à la fin de l'exercice,

Regulated Milk Prices By Class
Class 1:
Class 2:
Class 3:
Class 4:
Class 4(a):
Class 4(b):
Class 4(c):
Class 5:
Class 5(a):
Class 6:

Pool quota and 11.14 per cent of total MSQ was transferred. These figures are each about 1.0 per cent higher than the previous year, primarily because of an increase in the transfers on the Quota Exchange. Transfers within the immediate family accounted for over 60 per cent of the total volume of quota transferred, with most of the remainder being transferred through the Quota Exchange. In terms of the number of transactions,



however, the Quota Exchange continues to be the principal method of adjusting individual quota holdings.

The Board's quota policies remained virtually unchanged. The only change of significance involved a new policy respecting the lack of payment, or incomplete payment of a quota purchase. Under this policy, when payment for a quota purchase is not received and/or cannot be deducted in full from the producer's milk cheque, the unpaid portion of the purchase is cancelled. In addition, the producer is required to make prior payment arrangements before being permitted to bid for quota again. This was the first major change to the Quota Exchange payment policies since the introduction of the Quota Exchange more than nine years ago.

For the second year, the Board operated a cream-to-milk conversion program with the Ontario Cream Producers' Marketing Board. Sixty-five producers participated this year, including 10 who were already licensed milk producers shipping both milk and cream as dual producers.

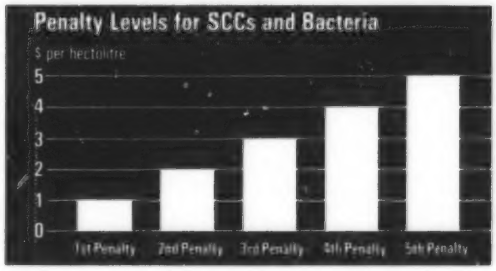
Milk Quality -
Higher standards targeted

Although OMAF's Dairy Inspection Branch (DIB) is ultimately responsible for milk quality, the Board is in constant liaison with the DIB, producers and the industry to ensure that high quality standards are maintained.

Paramount to this objective, a penalty program for high somatic cell counts (SCC) was introduced in August, 1989. This move was widely supported within the industry, and over time should result in improved dairy product yields and quality characteristics. Under this new program, a producer will incur a financial penalty when a bulk tank milk sample contains an SCC of 800,000 or greater, for the third time in a 4-month period. The amount of the financial penalty will increase for subsequent violations in a rolling 12-month period. Also, the 800,000 SCC level will be decreased by 50,000 each year until 1995, when the penalty level will be 500,000. Since the recent introduction of the program, there has been a noticeable improvement in provincial SCCs, particularly at the higher levels.

The financial penalties for the second and fourth bacteria violations were also increased in August, 1989. The new levels are $2.00 and $4.00, respectively, each up $1.00 over the previous level. As can be seen from the following table, the penalty levels for bacteria are now the same as the new levels introduced for somatic cell counts.

The Board and the DIB jointly run a Milk Quality Recognition Program available to County Milk Committees on a voluntary basis. This program is



now in its twelfth year. Due to the increased number of producers qualifying for awards, the criteria for eligibility were reviewed and tightened.

Producer Services -
Increasing efficiency

The Board was a participant in the Ontario Dairy Extension Task Force, an industry group that reviewed and evaluated extension services in the dairy industry. The Task Force's final report will be presented to the industry in late 1989. The Board will be examining the final report during 1990 with a view towards re-assessing its future role in farm management.

As part of this activity, the Board will also be reviewing the role of its fieldstaff during the coming year. A project team has already been established to review the role of the fieldstaff and make appropriate recommendations for providing

accompagnés des chiffres de l'exercice précédent, figurent au tableau ci-dessous.

Quotas et politique de contingentement - Pas de changements majeurs

Les transferts effectués au cours de l'exercice représentent 10,05 % du quota du Pool de groupe 1 et 11,14 % du QMM provincial. Ces chiffres sont d'environ 1 % supérieur à ceux de l'exercice précédent, principalement en raison d'une augmentation des transferts sur le marché d'échange de quotas. Les transferts entre membres de la même famille totalisaient plus de 60 % du total, et la plupart des autres transferts ont eu lieu sur le marché d'échange de quotas. Cependant, en ce qui concerne le nombre de transactions, le marché demeure le principal moyen utilisé par les producteurs.

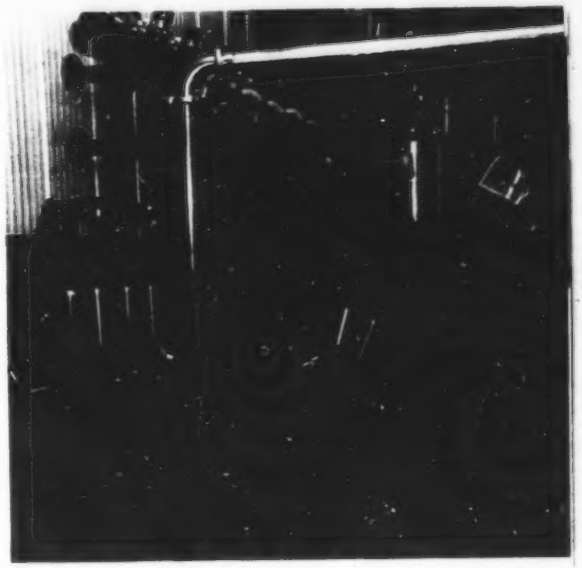
Le régime de contingentement de l'Office est demeuré sensiblement le même. Le seul changement d'importance est une nouvelle règle concernant le non-paiement ou le paiement partiel d'un achat de quota. Ainsi, lorsque l'Office ne reçoit pas le paiement ou qu'il ne peut le retenir intégralement sur le paiement du lait, il annule la partie impayée de l'achat. De plus, le producteur ne sera autorisé à faire une offre d'achat de quota dans l'avenir que s'il aura, au préalable, pris des dispositions de paiement. Il s'agit de la première modification majeure concernant le paiement de quotas transigés à l'Échange depuis sa création il y a plus de neuf ans.

Pour la deuxième année, l'Office, conjointement avec l'Office de mise en marché de la crème pour les producteurs de l'Ontario, a administré un programme de conversion de la production de la crème à celle du lait. Cette année, 65 producteurs ont participé au programme; sur ce nombre, dix étaient déjà des producteurs de lait autorisés à livrer du lait et de la crème.

Qualité du lait - Normes plus élevées visées

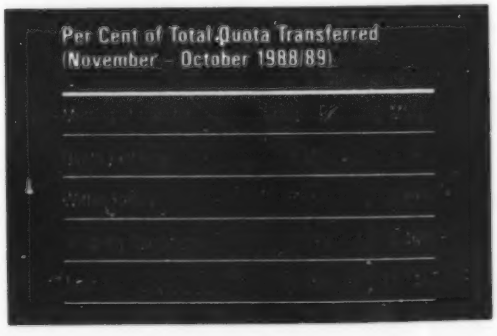
Bien que la responsabilité de la qualité du lait incombe à la Direction de l'inspection des produits laitiers (DIPL) du MAAO, l'Office est en relation constante avec la Direction, les producteurs et l'industrie pour veiller au maintien de normes de qualité élevées.

Afin d'atteindre cet objectif, un programme de sanctions sur les comptes leucocytaires élevés a vu le jour en août 1989. Cette initiative a été favorablement accueillie par l'industrie, et devrait, avec le temps, permettre une amélioration de la qualité du lait et du rendement en produits laitiers. Au titre de ce nouveau programme, un producteur se verra imposer une sanction financière lorsque le compte d'un échantillon du bassin de vrac atteint 800 000 cellules somatiques ou plus, pour la troisième fois au cours d'une période de quatre mois. La sanction augmente pour les infractions subséquentes au cours d'une période de 12 mois. De plus, le niveau de 800 000 diminuera de 50 000 par année jusqu'à un niveau de 500 000 en 1995. Depuis la mise sur pied du programme, on a noté une amélioration du compte moyen de cellules somatiques pour la province, particulièrement aux niveaux les plus élevés.



Les sanctions portant sur les deuxième et quatrième infractions concernant les bactéries ont aussi été augmentées en août 1989. Elles atteignent 2 $ et 4 $ respectivement, soit une hausse de 1 $ dans les deux cas par rapport aux sanctions précédentes. Comme on peut le constater à la lecture du tableau suivant, les sanctions pour les bactéries sont les mêmes que pour les cellules somatiques.

L'Office et la DIPL administrent conjointement un programme de reconnaissance de la qualité du lait; il est offert aux comités laitiers de comté et la participation est volontaire. Ce programme est dans sa douzième année. En raison du plus grand nombre de producteurs admissibles aux prix, les critères ont été révisés et rendus plus sévères.



Services aux producteurs - Un rendement accru

L'Office a participé au groupe de travail sur les services-conseils à l'industrie laitière en Ontario. Les membres de ce groupe, qui proviennent de l'industrie, ont passé en revue et évalué les divers services de diffusion et de vulgarisation. Le groupe

effective and efficient field services in the future.

In support of encouraging producers to use milk recording services, the Board continued its contribution of 3 cents per hl, on all milk marketed in the province, to the Ontario Dairy Herd Improvement Corporation. In addition, the *Ontario Milk Producer* magazine was again utilized to inform producers of the most recent developments in farm management practices, to provide for improved productivity and efficiency at the farm level.

During the past year, 788 producers were visited by the Specialists through the Board's Udder Health Management Program. This represents a record number of evaluations by the three Specialists, and signifies producers' continued desire to improve herd health. Under this fee-for-service program (75 per cent cost recoverable), now in its eighth year, Board Specialists consult with producers and make recommendations on their milking equipment and milking practices.

Producer Pools -
No major changes

At year's end, there were 9,378 licenced milk producers in Ontario compared to 9,730 a year earlier. A total of 736 new producers entered the industry during the course of the year, compared to 732 in the previous year. The vast majority, or 574, became new dairy farmers through within-family transfers of quota. Of the remainder, 51 started dairying through the purchase of on-going operations, 55 through the transfer of cream to milk and 56 establishing completely new operations.

A total of 92.8 per cent of producers held some Group I Pool quota, while 7.2 per cent held only MSQ.

In Southern Ontario, the percentage of Group I Pool shipments paid at top price varied from a high of 78.28 in September, 1989, to a low of 68.09 in July, 1989. The average payout for the year was 74.38 per cent, compared to 73.88 per cent a year ago.

The Graduated Entry Program, designed to allow qualifying industrial milk shippers a share of the top price fluid market continued in 1988/89 with 58 producers taking part. A total of 7,903 producers have taken advantage of the program since 1968.

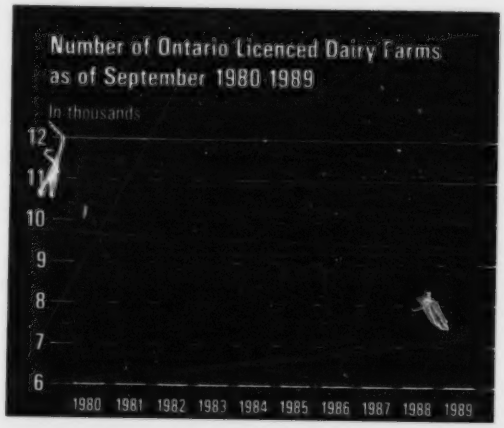
Producers holding some Group I Pool quota shipped 96.8 per cent of the total milk supply in the past year.

Milk and Cheese Marketing -
Some fine tuning

The number of milk processing plants to which the Board marketed milk this past year, declined by 5 to a total of 113 plants. Of these, 47 were fluid plants and 66 were industrial milk plants or receiving stations.

During the year, the Board conducted its usual review of marketing operations and once again approved the continuation of the milk supply allocation program. This program has enabled the Board to efficiently and equitably allocate the industrial milk supplies since the last major modifications that took place four years ago.

In looking into the future, the Board recognizes the need to continually review and address the concerns of the processing side of the industry. During this past year, as part of this review process, a joint task force of OMMB and processor representatives was formed. Throughout the coming months, this group will be investigating the feasibility of the processors purchasing their milk supplies based on measurements from volumetric metering systems.



A further topic that has been discussed within the industry in the past year is the proposal to permit the marketing of a 1.0 per cent fat fluid milk. While the Board has not opposed such a development, it has expressed to the Ontario Farm Products Marketing Commission its concerns about some potentially adverse effects on producers' incomes of such a development.

In reference to the marketing of cheese, the Ontario cheese manufacturers continue to face a very competitive market, both from within the province and from cheese manufactured in the province of Quebec. On August 1, 1989, the price of cheddar cheese on the Belleville Exchange increased by 4.9 cents per kg to $5.225 per kg following an increase by Federal authorities in the target returns for industrial milk.

The Board continued to operate its cheese warehouse at Belleville throughout this past year, as a service to the industry. Some discussions were held about the possibility of the Board selling the warehouse. Cheese being held in storage at

de travail doit présenter son rapport définitif à l'industrie vers la fin de 1989. L'Office examinera ce rapport au cours de 1990 en vue de réévaluer, pour l'avenir, son rôle dans la gestion de la ferme.

Par la même occasion, l'Office examinera le rôle de ses représentants régionaux au cours de l'année qui vient. Une équipe a déjà été mise sur pied à cette fin; elle fera dès recommandations sur les moyens d'assurer des services efficaces dans l'avenir.

Pour encourager les producteurs à adhérer au contrôle laitier, l'Office a encore versé à la Société ontarienne pour l'amélioration du troupeau laitier une contribution correspondant à 0,03 $/hl sur toute la production de la province. De plus, l'Office a continué d'utiliser la revue Ontario Milk Producer pour tenir les producteurs au courant des dernières techniques de gestion susceptibles d'améliorer la productivité et l'efficacité à la ferme.

Au cours de l'exercice, les trois spécialistes de l'Office ont visité 788 fermes dans le cadre du Programme pour la santé du pis. Ce chiffre constitue un nombre record d'évaluations et témoigne de l'intérêt que les producteurs portent à l'amélioration de la santé de leurs troupeaux. Selon ce programme, qui en est à sa huitième année, les spécialistes de l'Office donnent des consultations moyennant honoraires (coût récupérable à 75 %); ils évaluent le matériel et les pratiques de traite.

Pools des producteurs - Pas de grands changements

En fin d'exercice, l'Ontario comptait 9 378 producteurs titulaires de permis, contre 9730 un an plus tôt. Au cours de l'exercice, 736 nouveaux producteurs se sont lancés dans l'industrie, en regard de 732 pour l'exercice précédent. La grande majorité, soit 574 d'entre eux, sont devenus producteurs par le truchement de transferts de quota dans la famille. Parmi les autres, 51 le sont devenus par l'acquisition d'exploitations en marche, 55 en passant de la production de crème à celle du lait et 56 en fondant leur propre exploitation.

Sur l'ensemble des producteurs, 92.8 % détenaient des quotas du Pool de Groupe I, tandis que 7.2 % ne détenaient qu'un QMM.

Dans le sud de l'Ontario, le pourcentage des livraisons du Pool de Groupe I payées au prix fort a varié d'un plafond de 78,28 en septembre 1989 à un plancher de 68,09 en juillet 1989. En moyenne, les paiements pour l'exercice ont été de 74,38 %, comparé à 73,88 % il y a un an.

Le programme d'admission graduelle, qui permet aux producteurs de lait de transformation répondant aux conditions d'obtenir une part du marché du lait de consommation au prix fort, s'est poursuivi en 1988-1989; 58 producteurs y ont participé. En tout, 7 903 producteurs ont bénéficié de ce programme depuis 1968.

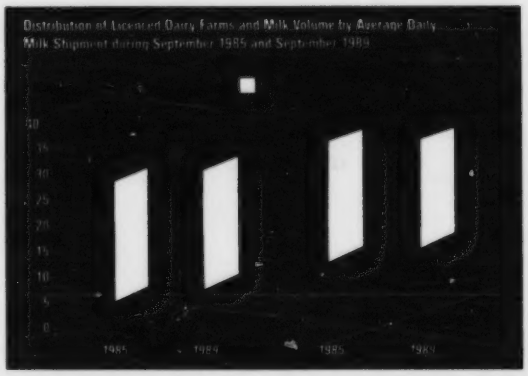
Les producteurs détenant un quota du Pool de Groupe I ont livré 96,8 % du total des approvisionnements de lait au cours de l'exercice.

Lait de transformation et fromage - Quelques mises au point

Le nombre d'usines desservies par l'Office a diminué de cinq au cours de l'exercice pour s'établir à 113; sur ce nombre, 47 sont des usines traitant le lait de consommation et 66 sont des usines de transformation ou des stations de transfert.

Au cours de l'exercice, l'Office a procédé à sa revue habituelle des opérations de marketing et, une fois encore, il a approuvé la continuation du programme d'attribution des approvisionnements aux transformateurs. Depuis les dernières grandes modifications qui y ont été apportées il y a quatre ans, ce programme a permis à l'Office de faire une répartition rationnelle et juste des approvisionnements de lait de transformation.

Face à l'avenir, l'Office reconnaît la nécessité d'étudier les préoccupations du secteur de la transformation et d'y trouver réponse. Au cours de l'exercice écoulé, ce processus a comporté la création d'un groupe de travail conjoint, formé de représentants de l'OMMB et de représentants des transformateurs. Ce groupe étudiera dans les mois à venir la possibilité pour les transformateurs d'acheter leurs approvisionnements de lait en



mesure volumétrique.

L'industrie a discuté d'un autre sujet au cours de l'exercice, soit la proposition faite à l'Office d'autoriser la mise en marché de lait de consommation à 1 % de M.G. Bien que l'Office ne se soit pas opposé à cette possibilité, il a fait part de ses inquiétudes à la Commission de commercialisation des produits agricoles de l'Ontario quant aux répercussions éventuelles, dont certaines entraîneraient une diminution du revenu des producteurs.

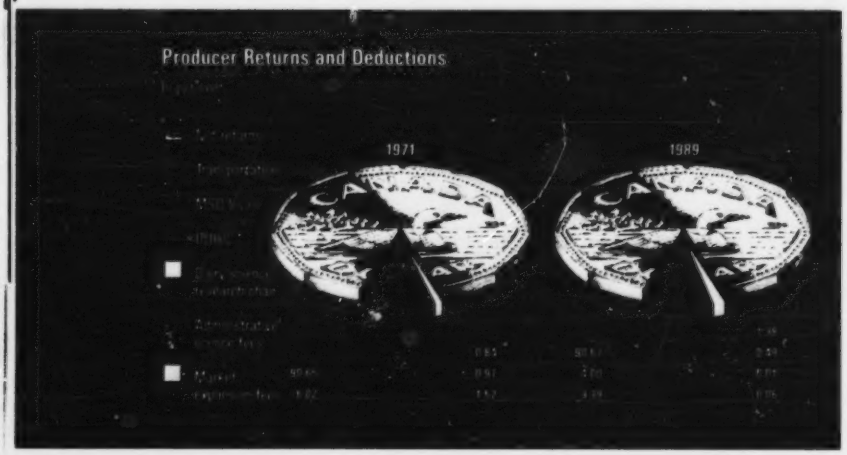
Dans la commercialisation du fromage, les fabricants ontariens continuent de subir une vive concurrence sur le marché, livrée entre eux et par les

year-end was up, a reflection of the fact that the average utilization of the warehouse for the entire year was higher by some 18 per cent, compared to the previous year. The Cheese Exchange at Belleville continued to operate on an every-second-week schedule throughout the year. Sales over the Exchange were about 51 per cent higher than a year earlier.

Transportation - Productivity increases

A significant re-structuring of the milk transport industry continued in the past year, brought about primarily by the introduction of a new payment method in 1988. This has resulted in the number of transport agents decreasing by eight in the past year and by 24 in the past four years.

The present method of compensating transporters encourages greater productivity among the Board's transport agents but, at the same time, the Board recognizes the need to maintain existing levels of service to producers. In this regard, the Board is continuing to work with transporters and producers to bring about, in a controlled manner, the greater use of tractor trailer pick-up units.



The increased level of transporter efficiency is evident in the overall cost of transporting milk. In the 1988/89 fiscal year, the total cost of transporting milk was $48.97M, which represents an increase of $2.07M from the cost in the previous year. The Board was able to decrease the producer transportation charge in Southern Ontario by $0.12 per hl in 1989. The Northern Ontario, Thunder Bay and Kenora-Rainy River Pool charges remained unchanged in 1989.

It is evident from the accompanying table that transportation cost increases in the past five years have been held significantly below the increase in the consumer price index.

The Board is confident that the level of transport productivity will continue to improve in the future, albeit at a somewhat slower rate than in the past two years, and, as a result, cost increases will be minimized.

Recognition must be given to the fact that the improved efficiency and reduced costs could not have been achieved without the co-operation and efforts of the Board's transport agents and their drivers who have responded to the challenge in 1988/89.

Planning and Research - Investing in the future

Activities during 1989 centered on three main topics, namely, multiple component pricing (MCP), bovine somatotropin (BST) and industry co-operation.

Following a thorough review of the MCP situation early in the year, the Board established August 1, 1991, as the target date for the introduction of MCP in Ontario. Several sub-committees were established as part of the overall plan to work towards the implementation of MCP. In particular, priorities for 1989 were identified as:

(1) seeking national consensus on the basic approach;
(2) development of the pricing system in detail; and,
(3) an examination of the regional differences created by MCP.

The Board is pleased to report that substantial progress has been achieved in working toward a consensus between Ontario and Quebec on the basic approach. Both provinces are in agreement that a three-component approach, that is, butterfat, protein and other solids (lactose plus minerals) will be utilized. Further efforts to work with other provinces will be pursued through involvement with Dairy Farmers of Canada. It is evident that the need for MCP is widely recognized across the country and there now appears to be a genuine desire within the industry to move to MCP in the relatively near future.

The MCP Pricing Sub-Committee was established to provide the opportunity for processor and government input into the development of the pricing system. At year end, this sub-committee was actively pursuing its mandate with the intention that a report would be forthcoming in the new year.

The issues related to the possible licensing of bovine somatotropin (BST) in North America required Board attention over the past year. An ad hoc Committee was established to help the Board stay abreast of developments and serve as a focal point for the further examination of the issues.

In the area of industry planning, the Board was actively involved in the organization of an Ontario Dairy Producers Outlook Conference at the

fabricants du Québec. Le 1er août 1989, le prix du cheddar sur le marché de fromage (Cheese Exchange) de Belleville a augmenté de 0,049 $/kg pour se situer à 5.225 $/kg suite à la hausse des revenus recherchés, décrétée par le gouvernement fédéral pour le lait de transformation.

L'Office a maintenu son entrepôt de fromage à Belleville pendant l'exercice, un service qu'il offre à l'industrie. La possibilité que l'Office vende l'entrepôt a été débattue. En fin d'exercice, les stocks de fromage étaient plus élevés, du fait d'une plus grande utilisation de l'entrepôt, laquelle a augmenté de 18 % en moyenne au cours de l'exercice. L'Office a aussi continué d'exploiter le marché de fromage à Belleville, qui est ouvert toutes les deux semaines. Ce marché a enregistré des ventes d'environ 51 % supérieures à celles de l'exercice précédent.

Transport -
Augmentation de la productivité

L'importante réorganisation de l'industrie de transport du lait s'est poursuivie au cours de l'exercice, principalement à la suite de l'introduction en 1988 d'une nouvelle méthode de calcul des paiements. Il en a résulté une diminution du nombre des agents transporteurs, soit de huit pour l'exercice précédent et de 24 pour les quatre dernières années.

La méthode de rémunération actuelle des transporteurs encourage les agents de l'Office à une plus grande efficacité mais, parallèlement, l'Office reconnaît la nécessité de maintenir le niveau actuel de service aux producteurs. À cette fin, l'Office poursuit ses démarches auprès des transformateurs et des producteurs en vue d'intensifier, d'une façon ordonnée, l'utilisation d'ensembles tracteur et remorque-citerne.

Ce niveau de rendement accru des transporteurs a influé sur le coût global de transport du lait. Pour l'exercice 1988-1989, il s'est situé à 48,97 M$, soit une faible augmentation de 2,07 M$ en regard de l'exercice précédent. L'Office a donc pu diminuer de 0,12 $/hl les frais de transport aux producteurs de l'Ontario-Sud en 1989. Ces frais de transport sont demeurés inchangés pour les producteurs du Pool de l'Ontario-Nord et de ceux de Thunder Bay et de Kenora-Rainy River.

Le tableau des coûts de transport des cinq derniers exercices permet de constater que leur hausse a été bien en deçà de l'augmentation de l'indice des prix à la consommation.

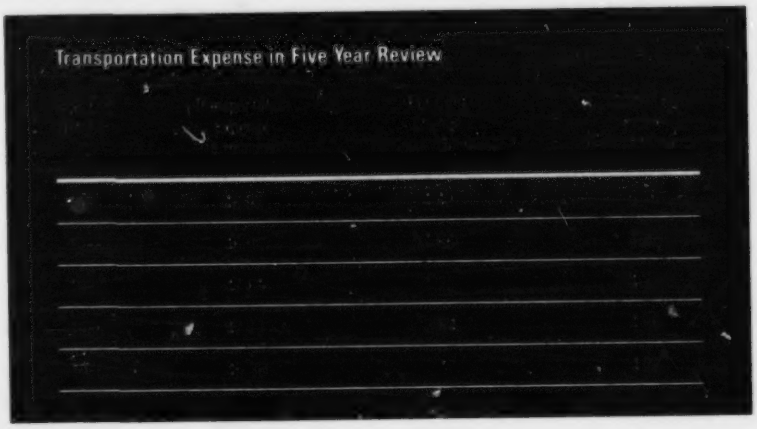
L'Office est convaincu que le niveau de productivité du transport va continuer de s'améliorer, bien qu'à un rythme légèrement plus lent qu'au cours des deux derniers exercices, et que cette amélioration permettra de contenir la majoration des coûts.

En faisant état de l'amélioration du rendement et de la diminution des coûts, on ne saurait passer sous silence la collaboration des agents transporteurs de l'Office et de leurs conducteurs, qui se sont montrés à la hauteur du défi en 1988-1989. Sans leurs efforts, ces réalisations n'auraient pas été possibles.

Planification et recherche -
Un placement dans l'avenir

En 1989, les travaux ont surtout porté sur trois grandes questions, à savoir, le prix à composantes multiples (PCM), la somatotropine bovine (BST) et la collaboration de l'industrie.

Après avoir passé minutieusement en revue la situation du PCM au début de l'exercice, l'Office a fixé au 1er août 1991 la date de la mise en application de ce système en Ontario. Divers sous-comités ont été créés dans le cadre du plan global de mise en place. On a, en particulier, établi l'ordre

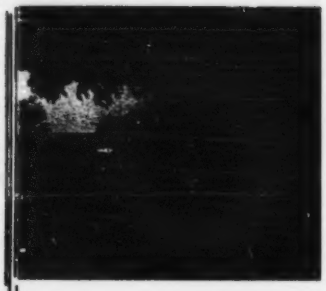


des priorités de 1989:

1)chercher à faire, à l'étendue du pays, l'unanimité sur le principe;
2)élaborer en détail le mécanisme de fixation du prix, et
3)examiner les écarts régionaux imputables au PCM.

L'Office a le plaisir d'annoncer que les délibérations entre l'Ontario et le Québec sur le principe du PCM ont marqué de grands progrès. Les deux provinces sont d'accord sur les trois composantes à utiliser, soit la matière grasse, les protéines et les autres matières sèches (le lactose et les minéraux). La poursuite des travaux avec les autres provinces se fera dans le contexte d'une participation à la Fédération canadienne des producteurs de lait. La nécessité d'un système de PCM est largement reconnue dans tout le pays; il semble maintenant que l'industrie souhaite sincèrement qu'il soit mis en place dans un avenir relativement rapproché.

Le sous-comité sur le PCM a été créé dans le but



beginning of the fiscal year, in the work of two Task Forces established as a result of this first Conference, and in the development of plans for a second such Conference. This initiative has involved all of the dairy producer organizations in the province along with support from the Ministry of Agriculture and Food and the University of Guelph. The rationale for this undertaking is based on the belief that the industry can be better served through closer communication, co-operation and co-ordination among its producer organizations. It is recognized that all of these organizations are funded by the milk producers across the province and that there are efficiencies to be gained by working more closely together.

In the area of research, attention was directed toward the selection of a candidate for the Board-sponsored Research Chair in Dairy Science at the University of Guelph. A Selection Committee interviewed the candidates for the position in mid-summer and arrived at a decision. However, prior to the actual appointment of the candidate to the Chair position, a process of applying for matching funds through an Industrial Research Chair of the Natural Sciences and Engineering Research Council is being carried out. If this application is successful, it will significantly improve the scope of the research program that can be undertaken.

Other research support involved a continued commitment to grants-in-aid of research at the Ontario Veterinary College and the Ontario Agricultural College, to the OMMB Doctoral Scholarship Program, and to the Wm. A. Stewart Fellowship Fund.

In the past year, the Board has been represented on the Ontario Farm Animal Council and has been very supportive of the Council's activities in addressing animal welfare concerns. In addition, with specific regard to dairying, considerable work has been done at the national level in developing a Code of Practice for the care and handling of dairy cattle. It is hoped that the Code will be printed and distributed by the Spring of 1990.

Market Expansion Activities -
Weakening in demand

With a budget of $9 million for the 1988/89 year, and with the introduction of several new programs, it was hoped that the Board's fluid milk promotion program would continue the very successful trend of the previous three years. However, total fluid sales over the year showed a modest decline of less than one per cent. As a result, per capita consumption also declined, by around 1.6 per cent.

A number of factors which were beyond the Board's control are believed to have contributed to a reduction in consumption. Growth in the economy slowed, while inflation increased; and these adverse factors were aggravated by the actions of retailers in steadily raising their retail milk prices. Other obstacles to a buoyant milk market were various consumer concerns about fat, cholesterol and possible contaminants in the food chain, together with an aging population and intense competition from other beverages.

Around half of the Board's fluid milk promotion budget continued to be spent on TV advertising aimed at specific target groups, but once again there was a major emphasis on promotions, as opposed to media, in the out-of-home markets, especially in schools and restaurants.

The health benefits of milk were again stressed in various activities, and the educational programs on nutrition played a significant role in the overall promotion plan.

Sales results from several industrial milk products, which are promoted by the Dairy Bureau of Canada, also showed a weakening in demand, particularly for butter.

More than a third of the Bureau's budget of $28 million was devoted to butter promotion. The advertising message was focussed on taste, with an emphasis also on the naturalness of butter. The Bureau also extended its out-of-home activities, since that market is becoming increasingly important to the overall butter market.

The continued growth in cheese sales remains more encouraging with about one-quarter ($7.7 million) of the Bureau's budget being spent on various activities related to cheese. The program covers five areas of activity: consumer communications, in-store promotion, retail trade, foodservice industry, fairs and exhibits.

The "Lick the Heat" ice cream campaign was again carried out in 1989, but sales remained soft. In addition, the milk bread campaign entered its final year with prospects for positive gains in the sale of skim milk powder.

Finally, the Bureau operated various other programs in support of all dairy products generally, such as scientific research and the dairy case training program.

Ontario's dairy farmers contributed just under one-third of the Bureau's total budget in relation to its MSQ holdings.

Further details about the fluid milk and dairy product promotion programs are provided in a special section towards the end of this Annual Report.

Board/Industry Relations -
Information programs continued

Communicating information to producers and the general public about international trade issues continued to be the dominant effort this past year. Letters to producers, trade information to County

de recueillir les opinions des responsables gouvernementaux et des transformateurs pour l'élaboration du système. En fin d'exercice, ce sous-comité poursuivait activement son mandat et prévoyait présenter un rapport au cours de l'an prochain.

L'homologation éventuelle de la somatotropine bovine (BST) en Amérique du Nord a retenu l'attention de l'Office. Un comité spécial a été mis sur pied pour aider l'Office à se tenir au courant des développements et assumer des fonctions consultatives lors de l'étude ultérieure de cette question.

Dans le domaine de la planification, l'Office a participé à l'organisation d'un colloque sur les perspectives de la production laitière en Ontario au début de l'exercice, ainsi qu'aux activités de deux groupes de travail issus de ce premier colloque et à l'élaboration du programme d'un second colloque du même genre. Cette initiative a bénéficié du concours de tous les organismes de producteurs laitiers de la province et de l'appui du ministère de l'Agriculture et de l'Alimentation et de l'université de Guelph.

Dans le domaine de la recherche, l'Office a procédé à la sélection d'un candidat pour la chaire de recherche en sciences du lait à l'université de Guelph. Un comité de sélection a mené des entrevues avec les candidats vers le milieu de l'été et en a retenu un. Toutefois, avant la désignation officielle du titulaire, des démarches ont été entreprises pour demander le double des fonds, par le biais d'une chaire de recherche industrielle du Conseil de recherches en sciences naturelles et en génie.

L'Office a accordé un soutien financier à d'autres recherches; il a continué de verser des subventions au Collège vétérinaire de l'Ontario et au Collège d'Agriculture de l'Ontario, de contribuer à son programme de bourses d'études de doctorat, ainsi qu'au Fonds de bourses d'études Wm. A. Stewart.

Expansion du marché - Fléchissement de la demande

Disposant d'une somme de 9 M$ pour la promotion du lait de consommation en 1988-1989, l'Office avait espéré qu'avec le lancement de plusieurs nouveaux programmes, la grande réussite obtenue au cours des trois exercices précédents se serait répétée. Le total des ventes de lait de consommation a cependant accusé une légère baisse (moins de 1%) pour l'exercise. En conséquence, la consommation par habitant a aussi diminué, d'environ 1,6 %.

On attribue cette diminution de la consommation à un certain nombre de facteurs étrangers à l'Office. Le ralentissement de la croissance économique s'est accompagné d'une augmentation de l'inflation; ces deux facteurs ont été aggravés par les hausses régulières du prix du lait pratiquées par les détaillants. Le marché du lait a aussi souffert des préoccupations du consommateur concernant la pureté du produit et sa teneur en matière grasse et en cholestérol.

L'Office a consacré environ la moitié de son budget de promotion du lait de consommation à des annonces télévisées visant des groupes-cibles déterminés. Mais quant aux promotions, par opposition aux annonces dans les médias, nous avons encore favorisé le marché de la consommation hors du foyer, particulièrement les écoles et les restaurants.

La publicité a continué de faire valoir les qualités du lait pour la santé, et les programmes d'information sur la nutrition ont constitué un élément important de la stratégie globale de promotion.

Les ventes de plusieurs produits de transformation, dont la promotion est assurée par le Bureau laitier du Canada, ont indiqué un certain fléchissement de la demande, de beurre notamment.

Le Bureau a consacré plus du tiers de son budget de 28 M$ à la promotion du beurre. Le message publicitaire vantait surtout le bon goût du beurre, et soulignait aussi son origine naturelle. Le Bureau a également étendu ses activités auprès du marché de la consommation hors du foyer, un secteur qui prend de plus en plus d'importance dans les ventes de beurre.

L'expansion soutenue des ventes de fromage demeure encourageante. Le Bureau dépense environ le quart (7,7 M$) de son budget pour diverses activités réparties sur cinq secteurs : communications aux consommateurs, promotion dans les magasins, auprès des détaillants, auprès de l'industrie de la restauration, et dans les foires et les expositions.

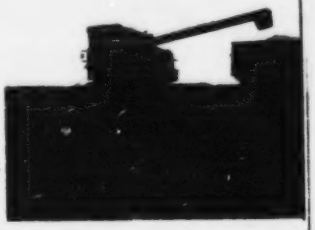
Le Bureau a aussi réalisé divers programmes appuyant tous les produits laitiers, tels que la recherche scientifique et la formation sur la manutention des produits laitiers dans les magasins.

La contribution des producteurs de lait ontariens a constitué, proportionnellement au QMM de la province, près du tiers du budget global du Bureau.

On trouvera à la fin du rapport d'autres détails des programmes de promotion du lait de consommation et des produits laitiers.

Relations de l'Office avec l'industrie - Maintien des programmes d'information

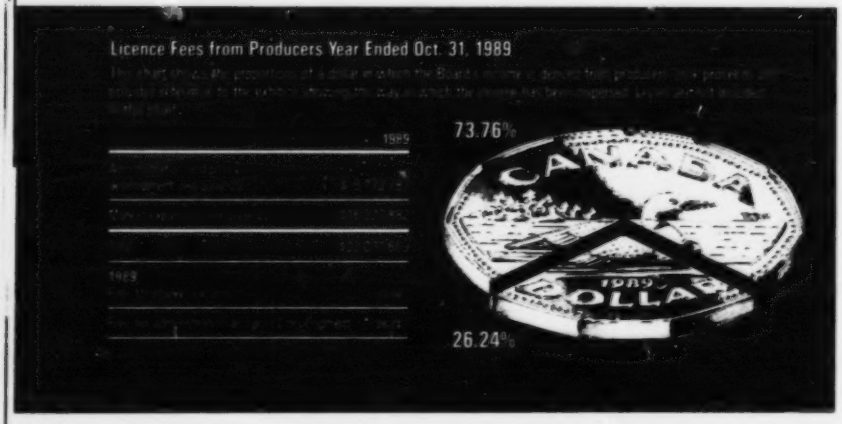
Les questions relatives aux échanges commerciaux internationaux ont continué de dominer l'information que l'Office a communiquée aux producteurs et au grand public au cours de l'exercice écoulé. Au titre de son programme de communications, qui présente le point de vue du producteur, l'Office a adressé des circulaires aux producteurs, transmis des données commerciales aux comités laitiers de district et de comté, tenu des réunions extraordinaires et répondu aux demandes



and District Milk Committees, special meetings, responses to media and academic persons all formed part of the communications program to present the milk producer point of view. Milk producers provided valuable and credible support to the cause responding to politicians, media and others through personal discussions, meetings, telephone calls and letters.

With the number of persons directly involved with agriculture declining year after year, agricultural education in Ontario schools is becoming more essential. The Board published "From Moo to You", a ten-unit kit on milk and dairy farming complete with poster and study guides for students in Grades four to six. All schools in Ontario with Grades four to six have received copies of "From Moo to You" and efforts are being made to promote and encourage its use.

The *Ontario Milk Producer* magazine continues to be a key vehicle to provide important information to all milk producers. The magazine was given a fresh look to keep it up-to-date in style and readability. The sections were reorganized to further improve the industry's magazine. New features such as the Producer Opinion page were introduced to invite feedback from producers. There is a growing confirmation that the magazine is an essential communication link to Ontario milk producers and other interested readers.



Producer Licence Fees -
Increased for administration and promotion

A summary of deductions made over the past five years to cover administration, promotion, the Dairy Science Chair and the contribution to the Ontario DHI Corporation is provided in a table on page 17. It can be seen that deductions increased by six and a half cents per hl in 1989 versus the previous year, two cents of which was due to higher administration costs, while four and a half cents extra went to market expansion. The use of licence fee income in the last year is illustrated above .

The Board and Its Staff -
One new Board Member elected

In 1989 Mr. Grant Cameron retired as Board Member for Region 1. The Board expresses its appreciation for his five years of service to milk producers.

Replacing Mr. Cameron, as a result of an election in Region 1, was Mr. Gaston Levac.

In other elections conducted by the Ontario Farm Products Marketing Commission, Messrs. John Core (Region 9) and James Tunney (Region 5) were both returned unopposed to the Board. Each of the above Members will serve on the Board for a further term of four years commencing January, 1989.

During the past year, the Board held meetings each month occupying a total of 32 days. Board Members also spent numerous days attending various committee meetings, as well as maintaining contact with local Milk Committees, producers and industry organizations.

At year end, there were 120 people on the Board's permanent staff, with 87 located at head office, including five regional marketing staff. On behalf of milk producers, the Board extends its thanks for the loyalty and effort to all staff members in support of producers.

Members of all the County and District Milk Committees continued to provide their customary input and support, for which the Board is very grateful.

In conclusion, the Board expresses its thanks for the advice, support and co-operation provided by all sectors of the dairy industry, including Government and University personnel.

Signed on behalf of the Board,

J. Grant Smith
Chairman

Harry Parker
Secretary to the Board

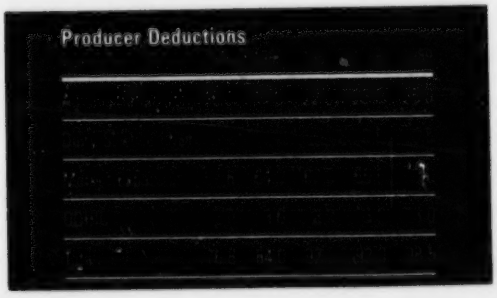
de renseignements des médias et des analystes. Les producteurs eux-mêmes ont bien défendu leur cause auprès des hommes politiques, des médias et de divers organismes, en participant à des discussions et à des réunions, en envoyant des lettres et en faisant des appels téléphoniques.

Comme le nombre de personnes directement engagées dans l'agriculture diminue d'année en année, il est plus impératif que jamais d'intéresser à ce secteur les élèves des écoles de la province. L'Office a publié From Moo to You, qui porte sur le lait et la production laitière. Ce dossier, constitué de 10 éléments, y compris une affiche et un guide d'étude, s'adresse aux élèves de la quatrième à la sixième année. Des exemplaires de From Moo to You ont été distribués à toutes les écoles élémentaires de la province, et l'Office poursuit ses efforts pour en promouvoir l'utilisation.

The Ontario Milk Producer demeure un important organe d'information pour les producteurs. L'Office a modifié la présentation de la revue pour qu'elle soit agréable à lire et d'allure moderne. Une nouvelle mise en page et la réorganisation des éléments sont venus rehausser sa qualité. Des chroniques, telles que Producer Opinion, ont été ajoutées pour que les lecteurs puissent faire part de leurs observations. La revue s'affirme de plus en plus comme un moyen essentiel de communication avec les producteurs de lait et avec les autres lecteurs.

Droits d'acquisition des permis de production -

On trouvera en page 17 un tableau quinquennal des retenues effectuées pour couvrir les frais d'administration et de promotion, le financement de la chaire en sciences du lait, ainsi que la contribution à la Société ontarienne pour l'amélioration du troupeau laitier (ODHIC). On peut constater que les retenues ont augmenté de 0,065 $ l'hectolitre par rapport à l'exercice précédent. Cette majoration comprend 0,02 $ pour couvrir la hausse des frais administratifs, et 0,045 $ pour l'expansion du marché. L'utilisation du revenu tiré des droits d'acquisition de permis au cours du dernier exercice est illustrée en page 16.



L'Office et son personnel - Élection d'un nouveau membre

En 1989, M. Grant Cameron s'est retiré de l'Office dont il était membre pour la région 1. L'Office tient à lui exprimer sa reconnaissance pour les cinq années qu'il a passées au service des producteurs de lait.

Lors des élections tenues dans cette région, M. Gaston Levac a été choisi pour remplacer M. Cameron.

La Commission de commercialisation des produits agricoles de l'Ontario a aussi tenu des élections; MM. John Core (région 9) et James Tunney (région 5) ont été réélus sans opposition. Le mandat de tous ces membres de l'Office est d'une durée de quatre ans à partir de janvier 1989.

Au cours de l'exercice, l'Office s'est réuni tous les mois, ce qui représente un total de 32 jours. De plus, les membres ont passé beaucoup de temps à assister aux réunions de divers comités et à garder contact avec les comités laitiers régionaux, les producteurs et les organismes de l'industrie.

À la fin de l'exercice, le nombre d'employés permanents de l'Office s'élevait à 120; sur ce nombre, 87 travaillaient au siège social, y compris membres du bureau régional de mise en marché. Au nom des producteurs, l'Office désire remercier tous les membres du personnel de leur loyauté et leurs efforts assidus.

L'Office tient aussi à exprimer sa reconnaissance aux membres des comités laitiers de comté et de district pour leur appui précieux.

Pour conclure, l'Office offre ses remerciements à tous les secteurs de l'industrie laitière, y compris les services gouvernementaux et universitaires, pour l'aide et les conseils qu'ils lui ont prodigués.

Au nom de l'Office,

Au nom de l'Office,

Le président,
J. Grant Smith

Le secrétaire,
Harry Parker

Balance Sheet

as at October 31, 1989

The Ontario Milk Marketing Board

Assets	**1989**	1988
Current assets		
Cash and short-term investments	$ 17,002,392	$ 21,949,071
Accounts and bills receivable	94,348,368	98,985,058
Quota inventory (note 1)	1,260,218	413,428
Prepaid expenses	458,472	592,729
	113,069,450	**121,940,286**
Other assets		
Bonds and investment certificates, at cost (market value 1989, $367,411; 1988, $365,800)	361,375	361,375
Shares of producer co-operatives, at cost or less	131	1,381
	361,506	**362,756**
Fixed assets (note 2)		
Land	508,370	509,939
Buildings	2,521,117	2,519,020
Warehouse equipment	329,536	324,336
Office furniture and fixtures	1,136,642	1,107,326
Computer equipment	1,565,806	1,407,039
Automobiles and truck	269,964	247,957
	6,331,435	6,115,617
Less accumulated depreciation	3,199,254	2,800,869
	3,132,181	**3,314,748**
	$116,563,137	**$125,617,790**

Approved by the Board

Chairman

Vice-Chairman

Auditors' Report

To the Members of The Ontario Milk Marketing Board

We have examined the balance sheet of The Ontario Milk Marketing Board as at October 31, 1989, and the statements of market expansion funds, quota exchange funds, dairy science research chair fund, income and retained income and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Board as at October 31, 1989 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
December 12, 1989

Peat Marwick Thorne
Chartered Accountants

Liabilities, Funds and Surplus	1989	1988
Current liabilities		
Accounts payable and accrued liabilities (note 3)	**$110,018,674**	**$118,627,090**
Funds		
Market expansion	15,410	332,214
Quota exchange	440,153	661,161
Dairy Science Research Chair	208,444	94,298
Wm. A. Stewart Fellowship (note 4)	46,065	45,193
	710,072	**1,132,866**
Surplus		
Contributed surplus	**1,390,126**	**1,390,126**
Retained income	**4,444,265**	**4,467,708**
	5,834,391	**5,857,834**
	$116,563,137	**$125,617,790**

Notes

1. Group 1 Pool quota and market-sharing quota inventory represents the quota remaining in the Board's bank as a result of balancing exchange activities that commenced March 7, 1980, valued at the October 1989 purchase prices. This value would have declined by $142,000 with a corresponding reduction in the Quota Exchange Funds if the December 1989 purchase prices were used. The Board believes this decline is temporary due to lower than usual milk shipments.

2.Fixed assets are carried at cost and depreciation is provided on a straight line basis using rates that will charge operations with the cost of these assets over their estimated useful lives as set out below. When fixed assets are sold, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss is reflected in the statement of income and retained income. Expenditures for repairs and maintenance are charged to income as incurred.

Buildings	20 - 50 years	Warehouse equipment	10 years
Office furniture and fixtures	10 years	Computer equipment	3-5 years
Automobiles and truck	3 1/3 years		

3. Accounts payable and accrued liabilities include an amount of $12,315,029 (1988, $13,530,718) being the unremitted portion of the market-sharing quota levies collected, net of refunds received, under an agreement with the Canadian Dairy Commission and an amount of $1,089,915 (1988, $3,243,196) payable to producers in respect of pool operations.

4. The Wm. A. Stewart Fellowship Fund was increased in the year by interest earned of $4,872 (1988, $4,580) less a fellowship payment in the year of $4,000 (1988, $4,000).

5. During the 1987 year the Ontario Dairy Council, on behalf of its members, disputed the butterfat content as determined by the Central Milk Testing Laboratory, of milk purchased from June 1985 on and requested compensation from the Board. As at the date of the request, October 30, 1987, the compensation claimed amounted to $19,200,000. The request was denied by the Board. This matter was resolved to the satisfaction of the Ontario Dairy Council by an agreement that reduced milk prices and the butterfat differential effective May 15, 1989.

Statement of Market Expansion Funds

Year ended October 31, 1989

The Ontario Milk Marketing Board

	1989	1988
Fees collected on milk (note 6)	**$16,227,882**	**$15,817,974**
Disbursements during the year		
Fluid milk advertising, promotion, media, production and research		
Advertising and promotion	7,628,962	7,081,766
Research	352,107	364,932
Nutrition communications	344,831	314,572
Other activities	46,572	63,847
	8,372,472	**7,825,117**
Administrative	552,086	535,543
	8,924,558	**8,360,660**
New product allowance	-	70,271
Dairy Bureau of Canada (note 7)	7,612,378	7,745,242
	16,536,936	**16,176,173**
Refund (sales) of creative materials	7,750	(24,443)
	16,544,686	**16,151,730**
Decrease for the year	**(316,804)**	**(333,756)**
Accumulated funds at beginning of year reserved for market expansion activities	332,214	665,970
Balance at end of year	**$ 15,410**	**$ 332,214**

Notes (continued)

6. Collections for all market expansion activities were increased effective February 1, 1989 from 65.5 to 70.0 cents per hectolitre in respect of all milk shipments to the Board.

7. Disbursements to the Dairy Bureau of Canada for national market expansion activities were increased effective June 1, 1988 from 58.0 to 60.0 cents per hectolitre of market-sharing quota shipments by all producers.

Details of Grants

Year ended October 31, 1989

	1989	1988
Dairy Farmers of Canada	$276,312	$228,602
Fund for Milk and Cream Producers	30,272	28,717
Ontario Farm Animal Council	10,000	10,000
The Ontario Fruit and Vegetable Growers		
Re: Labour Relations Act	1,500	-
Canadian Federation of Agriculture		
Re: Canfarm shares	1,250	-
Animal Care Steering Committee	-	5,000
The NEER Committee		
Re: Workers' Compensation	-	1,000
Grants during year	**$319,334**	**$273,319**

Statement of Quota Exchange Funds

Year ended October 31, 1989

The Ontario Milk Marketing Board

	Group I Pool Quota		Market-Sharing Quota						All quota	
			Unused		Used		Total			
	1989	1988	1989	1988	1989	1988	1989	1988	1989	1988
Sales	**$29,559,795**	**$21,136,600**	**$27,629,923**	**$20,691,631**	**$8,093,960**	**$5,942,854**	**$35,723,883**	**$26,634,485**	**$65,283,678**	**$47,771,085**
Cost of sales										
Opening inventory	(42,834)	368,420	429,071	(65,613)	27,191	641	456,262	(64,972)	413,428	303,448
Purchases	30,404,197	20,733,192	27,960,072	21,134,798	7,987,207	5,954,316	35,947,279	27,089,114	66,351,476	47,822,306
	30,361,363	21,101,612	28,389,143	21,069,185	8,014,398	5,954,957	36,403,541	27,024,142	66,764,904	48,125,754
Closing inventory	781,500	(42,834)	457,733	429,071	20,985	27,191	478,718	456,262	1,260,218	413,428
	29,579,863	**21,144,446**	**27,931,410**	**20,640,114**	**7,993,413**	**5,927,766**	**35,924,823**	**26,567,880**	**65,504,686**	**47,712,326**
Changes in the year	(20,068)	(7,846)	(301,487)	51,517	100,547	15,088	(200,940)	66,605	(221,008)	58,759
Balance at beginning of year	49,087	56,933	547,004	495,487	65,070	49,982	612,074	545,469	661,161	602,402
Balance at end of year	**$ 29,019**	**$ 49,087**	**$ 245,517**	**$ 547,004**	**$ 165,617**	**$ 65,070**	**$ 411,134**	**$ 612,074**	**$ 440,153**	**$ 661,161**

Notes (continued)

8. The statement of Quota Exchange Funds reflects the dollar values of transactions effected on the quota exchanges held in the year.

Statement of Dairy Science Research Chair Fund

Year ended October 31, 1989

	1989	1988
Income		
Fees collected on milk (note 9)	$117,779	$91,657
Interest	16,367	2,641
	$134,146	**94,298**
Disbursement	20,000	-
Increase in the year	114,146	94,298
Balance at beginning of year	94,298	-
Balance at end of year	**$208,444**	**$94,298**

Notes (continued)

9. Under the terms of an agreement with the University of Guelph, the Board has agreed to fund a chair in dairy microbiology for a ten-year period.

The Board has provided an interim amount of $20,000 to be used by the University in connection with a candidate search. Following appointment, which is to be no later than December 1, 1990, the Board is to provide monthly payments aggregating $105,000 in the first year and $125,000 in each of the next nine years.

Fee collections to fund this commitment commenced February 1, 1988 at one-half cent per hectolitre on all milk shipments to the Board.

Statement of Income and Retained Income

Year ended October 31, 1989

The Ontario Milk Marketing Board

Income	**1989**	1988
Licence fees (note 10)	$ 5,772,787	$5,467,787
Less portion applicable to Milk Producer magazine subscriptions	77,760	87,120
	5,695,027	5,380,667
Cheese exchange service charge	27,225	26,756
Cheese warehousing, net income before depreciation	161,042	83,550
Milk Producer magazine, net income before depreciation	32,758	30,714
Interest, net	3,025,225	2,190,674
Milk quality payments, net	257,586	555,464
Udder health management	122,374	88,051
Ontario Dairy Herd Improvement Corporation levies	706,689	720,558
Assignment administrative fee	41,808	40,026
Quota exchange administrative fee	34,018	30,608
Gain on disposal of fixed assets (note 11)	54,090	7,056
	10,157,842	**9,154,124**
Expenses		
Administrative (note 12)	6,146,079	5,926,499
Policy development (note 13)	842,482	777,812
County and District Milk Committees	631,965	596,704
Grants	319,334	273,319
Milk tests, central laboratory	592,826	576,320
Udder health management	149,412	113,407
Ontario Dairy Herd Improvement Corporation levies	706,689	720,558
Ontario Dairy Farm Accounting Project, net	73,109	83,080
Research	183,127	117,502
Annual meeting	70,914	77,374
Other meetings	2,520	5,147
Write down of investments	-	3,750
Depreciation	462,828	395,069
	10,181,285	**9,666,541**
Excess of expenses over income	(23,443)	(512,417)
Retained income at beginning of year	4,467,708	4,980,125
Retained income at end of year	**$ 4,444,265**	**$4,467,708**

Notes (continued)

10. Licence fees for administrative purposes were increased effective February 1, 1989 from 23.0 to 25.0 cents per hectolitre in respect of all milk shipments to the Board.

11. The $54,090 gain on disposal of fixed assets includes $46,216 in respect of the sale of a portion of the Belleville warehouse property.

12. Administrative expenses do not include $618,348 (1988, $604,799) allocated to Market Expansion Fund and Milk Producer magazine operations.

13. Policy development expenses include remuneration and operating expenses of Chairman, Board Members and Secretariat and cost of annual report.

Statement of Changes in Financial Position

Year ended October 31, 1989

The Ontario Milk Marketing Board

Operating activities	**1989**	1988
Excess of expenses over income	$ (23,443)	$ (512,417)
Adjustments for items not requiring cash		
Depreciation	462,828	395,069
Grant of investment	1,250	-
Write down of investments	-	3,750
Gain on disposal of fixed assets	(54,090)	(7,056)
	386,545	(120,654)
Changes in non-cash working capital components		
Accounts and bills receivable	4,636,690	(3,621,234)
Accounts payable and accrued liabilities	(8,608,416)	2,167,155
Mortgage receivable	-	1,500,000
Prepaid expenses	134,257	(117,844)
Quota inventory	(846,790)	(109,980)
Cash used by operating activities	**(4,297,714)**	**(302,557)**
Investment activities		
Purchase of certificate	-	(15,000)
Purchase of fixed assets	(320,938)	(268,998)
Disposal of fixed assets	94,767	46,416
Cash used in investment activities	**(226,171)**	**(237,582)**
Fund activities		
Market expansion	(316,804)	(333,756)
Quota exchange	(221,008)	58,759
Dairy Science Research Chair	114,146	94,298
Wm. A. Stewart Fellowship	872	580
Cash used in fund activities	**(422,794)**	**(180,119)**
Decrease during the year	**(4,946,679)**	**(720,258)**
Cash and short-term investments at beginning of year	**21,949,071**	**22,669,329**
Cash and short-term investments at end of year	**$17,002,392**	**$21,949,071**

Notes (continued)

14. It is the policy of the Board to maximize the return on funds retained by investing in deposit receipts and similar interest earning arrangements.

15. The pension cost for current service is charged to earnings on a current basis. During the year a revision to the Plan resulted in an unfunded liability in respect of past service. This liability is being amortized over five years to 1993. As at October 31, 1989 the remaining unfunded liability was $604,000. The next triennial valuation is scheduled for January 1, 1991.

Pool Operations

Year ended October 31, 1989

The Ontario Milk Marketing Board

	1989	1988
Milk quantities ('000 litres)	**2,355,610**	**2,401,844**
Milk value		
Sales	$1,172,779,405	$1,175,076,590
Purchases	1,172,816,853	1,175,146,313
	(37,448)	(69,723)
Recoverable from producers at beginning of year	(164,614)	(94,891)
Recoverable from producers at end of year	**(202,062)**	**(164,614)**
Transportation		
Recovered from producers	46,857,464	50,113,344
Expense	48,973,297	46,898,378
	(2,115,833)	3,214,966
Payable to producers at beginning of year	3,407,810	192,844
Payable to producers at end of year	**1,291,977**	**3,407,810**
Total payable to producers at end of year (note 3)	**$ 1,089,915**	**$ 3,243,196**

Market-sharing Quota Levies

Year ended October 31, 1989

	1989	1988
Unremitted at beginning of year	**$13,530,718**	**$12,137,845**
Refund from Canadian Dairy Commission	**6,904,193**	**8,406,208**
Net collections from producers		
Within-quota	28,853,195	42,489,330
Over-quota	10,848,112	8,237,919
	60,136,218	71,271,302
Net disbursements to Canadian Dairy Commission	**47,821,189**	**57,740,584**
Unremitted at end of year (note 3)	**$12,315,029**	**$13,530,718**

In respect of the federal Dairy Year ended July 31, 1989 the Board has collected $29,728,467 (1988, $47,858,189) within-quota levies and $14,423,979 (1988, $15,098,920) over-quota levies from producers and has refunded to producers $3,573,526 (1988, $6,872,332) in over-quota levies less within-quota levies of $316,898 (1988, $904,266) resulting from such refunds.

Region 1
Gaston Levac

Region 2
Paul Henderson

Region 3
Bill Schouten

Region 4
Gordon Donnan

Region 5
Jim Tunney

Region 6
Gordon Coukell

Region 7
Peter Oosterhoff

Region 8
Grant Smith,Chairman

Region 9
John Core, Vice-Chairman

Region 10
Bruce Whale

Region 11
Bruce Saunders

Region 12
Claude Chartrand

Ontario Cream Producers' Marketing Board
Elgin Cole

Secretary to the Board
Harry Parker

Year joined Board

Gaston Levac	1989
Paul Henderson	1986
Bill Schouten	1981
Gordon Donnan	1988
Jim Tunney	1981
Gordon Coukell	1986
Peter Oosterhoff	1975
Grant Smith	1968
John Core	1981
Bruce Whale	1986
Bruce Saunders	1987
Claude Chartrand	1984
Elgin Cole	1989

Milk transportation in Ontario may appear to have changed dramatically since the turn of the century when milk cans were hoisted onto horse-drawn wagons or to the nearest train station for delivery to the dairy. Yet, on further reflection, the basics of transporting milk from the farm to the dairy have actually undergone very few significant changes.

In the 1920s, trucks replaced horse-drawn wagons and in the 1950s, the appearance of bulk tanks heralded the gradual demise of milk cans. In nearly a century of evolution, milk transportation has experienced only two major innovations, wagons to trucks and cans to tanks.

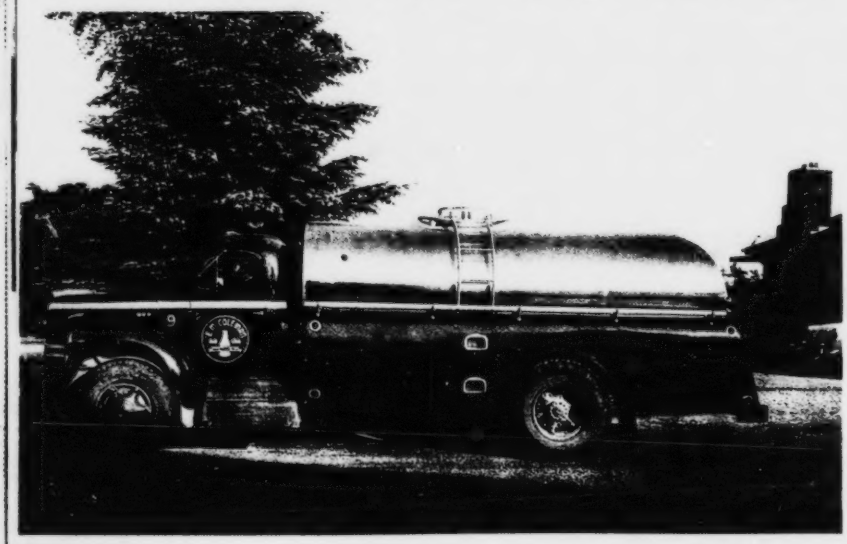
A closer examination of the past 25 years, however, reveals that while the fundamentals of transporting milk may have changed very little, fine tuning of the fundamentals has resulted in today's very organized and highly efficient transportation system.

Rationalization

In 1966/67, one of the first challenges faced by the newly formed Ontario Milk Marketing Board was to identify the existing alignments and loyalties of the 25,000 milk producers in the province, with respect to plants and transporters. At the time, over 400 transporters hauled milk to nearly 350 milk plants in the province.

A rationalization, or re-aligning of the producer, transporter and plant association involving this number of participants, was a monumental undertaking and made no easier by the demonstrated loyalty of each producer to his existing transporter and plant. Slowly but surely, however, a province-wide rationalization was implemented which resulted in some semblance of transportation order.

Since that first major rationalization, which wasn't completed until the mid-70s, there have been many subsequent, smaller, rationalizations. A glance at Board maps today would reveal compact collection territories with virtually no overlapping transport areas and an efficient assignment of milk to plants.



Can-to-Bulk Conversion

The can-to-bulk conversion is the one event which perhaps had the most significant impact on milk transportation over the years. The conversion wasn't readily accepted by all producers, at first, and was actually implemented over a 25-year period. The first farm bulk tank was actually introduced by a producer in the Oshawa area in 1953 with the last can of milk shipped in Eastern Ontario in 1977.

Many of the Board's transport agents either chose not to haul milk in bulk or were unable to acquire bulk routes and, thus, the numbers declined from over 400 in 1967/68 to less than half this number in 1977.

Shortly after the introduction of bulk milk tanks, it was decided that it was not necessary for bulk milk to be picked up every day. With the more efficient cooling capacity of the bulk tank, it was possible to preserve the quality longer. Having milk picked up every-other-day resulted in further significant efficiencies in the transport system.

Like so many things taken for granted, the milk can, once an integral part of milk transportation, is now found mostly in antique shops or abandoned on dairy farms.

Single Quality of Milk

Prior to 1981, two quality levels for milk existed in the province. Needless to say this resulted in transport inefficiency as only milk of Grade A standards was acceptable for fluid processing. Thus, transporters had to bypass "industrial" milk shippers on a route in order to collect a "fluid" load.

With the implementation of the single quality of milk standard in 1981, the Board was able to combine all milk, thus enabling further rationalization on a provincial basis and as a result, the elimination of a great deal of the excess transportation capacity that existed.

In addition, the transportation pool charge for Group II milk, which had existed from the Board's early days, was now blended into the Group I transportation charge to form a single pool charge for each transportation pool.

Payment Methods for Transporters

Prior to the formation of The Ontario Milk Marketing Board, most milk producers had to negotiate their transport charges directly with their transporters. The transporter was paid

through the plant that received the producer's milk.

The concept of a pooled transportation charge for producers was identified in the late 1960s as a more fair and equitable way of assessing producers for this service. At the same time, a pooled rate for transporters was thought to be a reasonable method of compensating transporters. Initially, however, each individual county was thought of as a pool, having its own unique pool charge. As one can imagine, this system brought forth its own set of problems as producers tried to understand the logic of different transportation charges being charged to producers on opposite sides of a road bordering two counties.

Shortly thereafter it became evident that a common formula should be used to determine the level of compensation for each and every transporter. Despite a government consultant's study, which indicated that transporters could never be fairly compensated under a formula, the Board implemented its first transport rate formula in the early 1970s. Time has proven this to have been the right decision. Nearly 20 years later, the transport rate formula, although altered in many ways from the original, still forms the basis of compensation for milk transporters.

As the transport rate formula evolved over the years, so did the producer transportation pools which grew in a geographic sense, basically from one pool for each county to only five pools for the entire province.

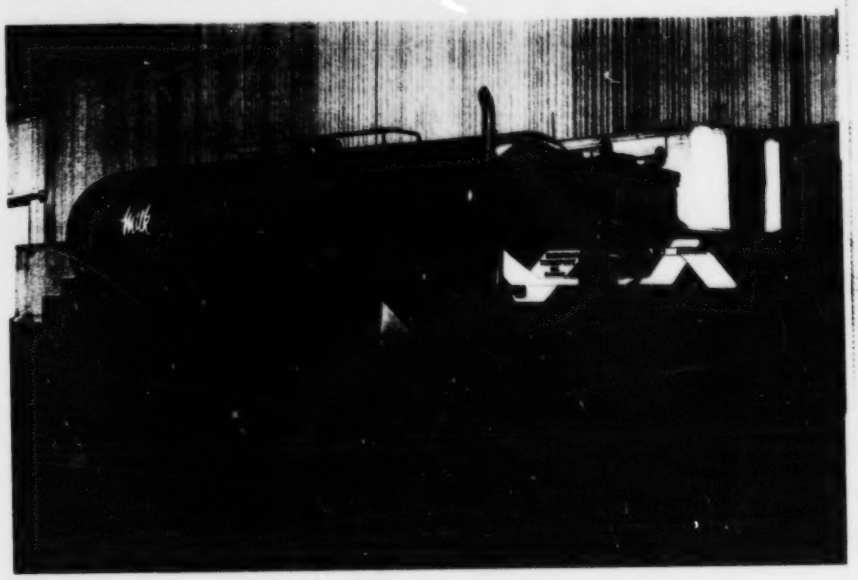
It is difficult to make any realistic comparison between transportation costs in the early 1970s and today. However, it may be meaningful to note that transportation expense represented 6.0 per cent of milk sales in 1970 whereas, this figure has declined to 4.2 per cent in 1989. In other words, transportation expense has increased at a significantly slower rate than the value of milk sales for the corresponding period.

Milk Transport Vehicles

Horsepower in one form or another has always played an important role in transporting milk from the farm to the dairy. In the earlier days, horsepower meant a team of Percherons; nowadays it means a diesel engine.

A crude version of Henry Ford's "Tin Lizzie" or Model T car was reported to be one of the first milk trucks used in Ontario. It hauled milk, which had previously travelled by train, from the Kleinburg area to Toronto.

Eventually, the open rack can trucks gave way to enclosed van trucks and then with the appearance of farm bulk tanks in the fifties came the bulk tank trucks. While the "single-axle" bulk truck was originally the most common type of truck, this soon gave way to the "tandem-axle" truck which still remains the most popular type of vehicle today. More recently, there has been increased interest among transporters in operating tractor-trailer pick-up units and tandem-pup combinations. Some believe it is as inevitable as can trucks being replaced by bulk trucks that, one day, tractor-trailers and tandem-pup combinations will outnumber the more conventional tandem or single-axle vehicles.

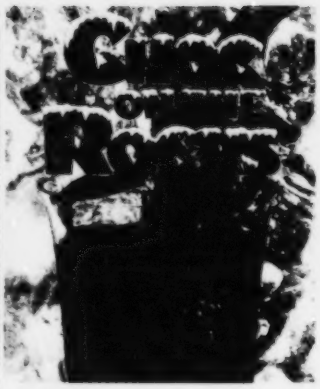


The Future

In looking back over the history of milk transportation, it is quite clear that the "good old days" were in many ways less than ideal. One only has to consider loading and unloading 80 pound cans to realize there was plenty of hard work involved.

The Board and milk transporters have worked together to implement technological changes and introduce new policies for the benefit of the dairy industry. More progress in this area will require continued co-operation at the farm and processor level. While many farm yards and lanes have been updated and can accommodate the new larger milk tankers, improvements will need to continue on more farms. In addition, some processing plants, during expansion programs, have upgraded their milk receiving facilities but, in some instances, plants are still unable to cope with today's milk tankers or adequately handle the increased volumes of milk received.

Undoubtedly, the efficiency and productivity of milk transporters has improved tremendously over the years with the co-operation of milk producers and milk processors. Hopefully, 25 years from now, a review of recent milk transportation history will report further significant improvements at the farm and plant level.

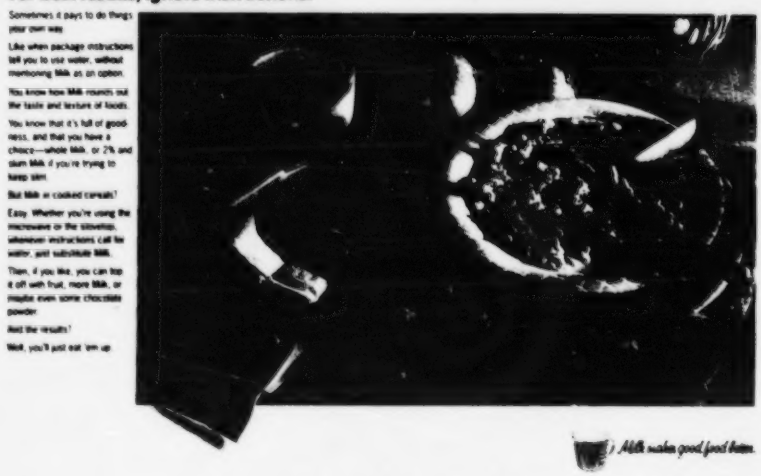


After three years of growth, fluid milk sales performance slowed down during the 1988/89 fiscal year, with total sales remaining above the one-billion-litre mark, but down by approximately 0.7 per cent compared to the previous year. During 1988, butter sales declined by 1.2 per cent, with cheese volume increasing by 1.0 per cent. In general the retail market slowed down, also the retail price, particularly of fluid milk, gradually increased during the year. Consumer attitudes towards fat in the diet also meant that dairy products came under more negative pressure.

Fluid milk

Beverage advertising

The Board's main advertising thrust continued against the expanded range of target groups established in 1987 with pre-teen, teen, young adult and adult advertising programs, as well as people who cook with milk. These were successful in reaching the target groups with appropriate milk advertising messages, but did not have the full impact on the market that the Board wished, due to media inflation and intensified pressure from competition. Advertising media inflation has been growing at twice the pace of normal inflation in recent years. This market phenomenon has diminished the buying power of the Board's promotional dollars in spite of changes in spending emphasis aimed at combating this problem. Planning for the year ahead addresses this issue more directly.



In addition to the planned advertising, the Board also developed advertising to specifically address the image of milk in the face of increasingly negative press coverage of impurities in the food chain and similar issues that directly affected consumer attitudes to, and perceptions of, the quality of milk. Research reported improvements in consumer attitudes towards milk later in the year.

Health-related advertising

Following last year's advertising and promotion to doctors, a major direct mail program reached general practitioners and selected health professionals in the Province with a Doctors' Milk Facts Quick Kit. This provided doctors with medically-related facts about milk in terms of the major areas of misinformation, such as fat, allergies, intolerance and calcium requirements. The kit also provided doctors with appropriate consumer-related information for their patients. Simplified versions of the Doctors' Kit were also made available to health professionals across the province.

Out of home

The growing food service industry market was again the focus of a three-part market thrust.

- The Board's promotional activities reached over 4,000 restaurants and cafeterias with the Choc-on-the-Rocks promotion and the milk Cup and Decal program. Response to these two elements was very good, both being well supported by the food service industry during 1988/89.
- 'The Great Milk Race' was also continued in a further 297 high schools with greatly increased consumption levels being achieved in the high schools during the promotion. The wide range of student and school incentives generated very high levels of improved milk consumption with an average increase of 41 per cent for participating high schools.
- The elementary school milk program also continued with 192 schools participating. Reports indicate that the program was well received and it is estimated that sales improved. Some administrative problems were identified and these were also assessed with a view to improving the management of the program. One problem is obtaining accurate sales data, which seems to be viewed as a major burden to some members of the schools' administrative facilities. As a result, plans for an appropriate incentive to overcome this problem were developed for future use.

In addition to the elementary school milk program, the Board also sponsored the Milk International Children's Festival at Harbourfront. Schools from all over Ontario bussed students into Toronto for this popular event. Over 60,000 people attended the festival including parents, teachers and students. In addition to the live audience, media publicity generated by the event was extensive and is estimated to be worth approximately 2.7 times the Board's investment in the program.

Ingredient advertising

A new magazine campaign targeted to homemakers commenced during the year to encourage consumers to cook more frequently with milk.

Also the 1989 Milk Calendar issued in early December was again successful, being retained and used by a remarkable 79 per cent of those receiving the Calendar. For the first time, advertising space was sold for products that offered consumer discount coupons or 'write-in' offers. This step was taken in a successful attempt to offset the increasing costs of producing the calendar.

Nutrition Communications

The Board's nutritionists again travelled extensively throughout the province bringing the teacher and health professional workshops to over 6,800 participants. Also, they spent a considerable amount of time updating and modifying the existing workshop program as well as identifying changes for future development and improvement of the Nutrition Communication Programs. Part of this development included adapting the Project Apex for Grades 4 to 6 into French and developing nutrition information materials for health professionals at the workplace.

Another major activity included liaising with the advertising staff and legal advisors on the issue of nutrition labelling. The new regulations and guidelines have and will continue to have a significant effect on all future advertising and nutrition communication materials. The nutritionists were also involved in the development of the Doctors' mailing referred to earlier.

Industrial milk products

Dairy Bureau of Canada programs

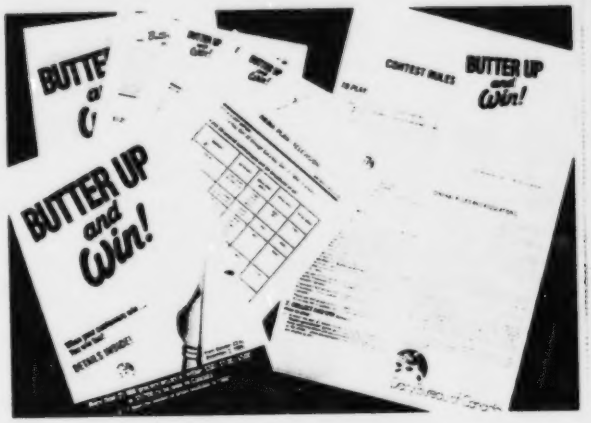
The Dairy Bureau of Canada, in 1989, consulted with representatives from many fields (processors, retailers, medical etc.) who have an influence on dairy product consumption. The objective was to establish a firm base for short and long-term planning and to assess the environment in which dairy products will be sold in Canada through the balance of this century.

This process allowed the Bureau to redefine its mission and to focus its programs for the immediate future.

Many levels of support for the principal revenue-producing dairy products were evaluated. The selected alternative for 1990 concentrates promotional support on butter and cheese only, and gives greater support to butter for two major reasons: processor/manufacturer support for butter is weaker than for cheese; and, even if the net revenue for butter is less than that for cheese, and butter offers less growth potential, it still has greater impact on producer quotas and the overall size of the industry.

Sales results for butter in 1988 indicate a total decline of 1.2 per cent and this trend continues in 1989. The cheese market, on the other hand, was positive in 1988 with volume increasing by 1.0 per cent. The increase in 1989, January to August, is 5 per cent. In the five years from 1983 to 1988 cheese volume increased by 29 per cent.

Butter



The butter communications plan is based on a two-fold strategy: to reinforce the taste and quality appeals of butter and to soften negative perceptions. The taste/quality campaign is built on the successful "Mellow Yellow, Butter It" television commercials which continued through 1989 in 30-second and 15-second versions. Other programs promoting butter's superior taste and supporting the TV campaign included advertisements in female-oriented magazines, participation in Five Roses Flour "Best of Baking" Festival, co-op promotions with major restaurant chains serving butter representing 2,200 outlets, and the last two markets to be covered in the Dairy Bureau "We Serve Butter Here" promotion with individual restaurants. The last two markets were Ottawa and Montreal, where the participation from eligible restaurants was high. The Dairy Bureau also entered into joint venture agreements with ten butter processors to help promote their brands.

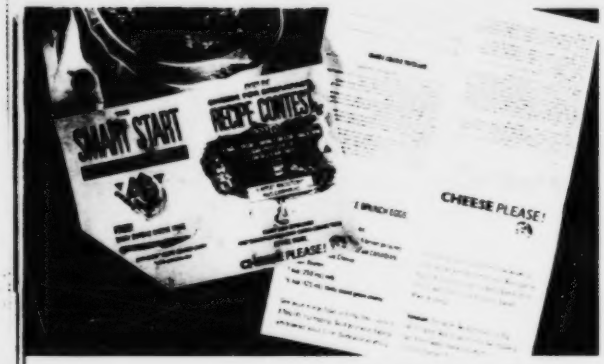
The butter promotion, funded by the Canadian Milk Supply Management Committee, ran in the October/November period. Interest from retailers has been higher than in previous years and indications are that the promotion will be a success. This year the prize structure was simplified to instant win or collect and win. The promotion was carried by 8,695 stores and was promoted through a TV campaign (at a heavier weight than previous years), through radio and point-of-sale material. In 1990, a butter promotion will be funded by the Dairy Bureau.

The second objective for butter is to reduce health concerns. This objective is addressed through association with activities which are perceived to be healthy - in this case, cycling. Butter was promoted as a minor sponsor of the Canadian Tire Challenge series cycle races across Canada and as the principal sponsor of the

Cycling Grand Prix of America, one of the World Cup events. The publicity program associated with the World Cup, in Europe and in Canada, was seen across Canada. In 1990, World Cup cycling teams will also race in Toronto.

Cheese

The Dairy Bureau's objective for cheese is to maintain the strong total growth trend and revitalize retail sales where the growth has not been as strong as in the out-of-home market.



Television was again the base medium. Recall of the Scott and Joey cheese commercials is now high, 82 per cent, and recall of the sales message is also very satisfactory. Research tells us that the main message communicated is nutrition. Unfortunately, Scott and Joey have now outgrown the childish spontaneity which gave the commercials their charm. A replacement campaign, still using kids, is being researched and will be aired in 1990.

Specific cheese utilizations were supported in magazines, at point of sale, in grocery stores and in restaurants. A co-op promotion with Catelli at the store level promoted cheese and pasta. A recipe contest in magazines and at point of sale introduced the idea of cheese at breakfast and generated approximately 9,000 recipes from consumers. This little-known cheese utilization is also being featured in point-of-sale material, together with other new cheese menu items, in 2,189 fast-food outlets. This consumer-oriented program will continue in 1990.

The Dairy Bureau programs directed at restaurateurs also continued in 1989. The chefs recipe contest not only generates new cheese utilizations, but also helps to improve the awareness and image of Canadian cheese in the minds of those in the restaurant trade. Twelve selected recipes are mailed to 23,000 restaurants each year.

Training videos developed by the Dairy Bureau, featuring the handling and use of cheese, have been widely used in foodservice colleges and institutions.

Ice cream

The successful "Lick the Heat" campaign, developed in 1988, was repeated in 1989 in outdoor media and 21,000 ice cream T-shirts were sold through processors and ice cream counters.

Budget concentration on butter and cheese in 1990 will preclude an ice cream campaign.

Dairy Case Training Program

The program has been updated with new equipment, new material and adapted to respond to demands from food chains for more half-day sessions. This means more seminars in total and an additional person has been engaged to help handle the English program.

Milk bread

A highly visible outdoor board and grocery cart campaign supported the marketing programs of bakeries selling milk bread. 1989 is the third and final year of the Dairy Bureau's mandate from the Canadian Milk Supply Management Committee for the promotion of milk bread.

Science, technology and nutrition

The untimely death of Dr. Amer in February 1989 created a temporary hiatus in this area. Dr. Amer's successor, Dr. Bernice Mills, joined the Dairy Bureau in April.

Under her direction, the Nutrition Research Program sponsors projects in a broad spectrum, from the fundamental aspects of the nutritional importance of the components of dairy foods, to the consideration of those human diseases or conditions which may be related to, or alleviated by, the consumption of dairy foods.

Greater importance has been given to nutrition communications. "Nutrition Quarterly" and other publications have been given a new corporate look and programs to communicate the positive features of dairy products are being developed, aimed at health professionals, government decision-makers and opinion leaders. These influential groups will be used to channel information to the true target, the consumer.

Milk fat perception

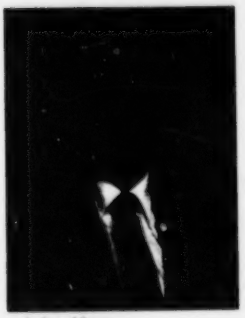
The question of dietary fat continues to be uppermost in the minds of the medical profession and consumers alike. The Dairy Bureau was therefore very concerned to discover the consumer's exaggerated perception of the quantity of fat in milk. Three different research studies have confirmed the problem which also affects the consumer's perception of the fat in dairy products. To start correcting the perception, the Dairy Bureau launched a newspaper campaign in all major dailies across Canada. It is hoped that processors will support this campaign and reinforce the message on milk packaging.

Correcting the perception of the quantity of fat in milk should result in increased milk and dairy product consumption.

Lorne Hurd
General Manager

Bill MacPherson
Director,
Finance Division

Al Hick
Director,
Marketing Division



John Karn
Director,
Production Division

Michael E. Pearce
Director, Product
Promotion Division

Ken Smith
Director, Board/
Industry Relations
Division

Wes Lane
Director, Planning

Phil Cairns
Senior Economist

ONTARIO DAIRY PRINCESS 1988-89

Donna Beggs, the 33rd Ontario Dairy Princess, was from the Region of Ottawa/Carleton. Donna, the daughter of Eric and Ruth Beggs, won her title at the 1988 Canadian National Exhibition.

As a full-time employee of the Board for one year, Donna travelled almost 47,000 km on behalf of Ontario's milk and cream producers. She visited 35 different counties and districts in Ontario, the World Dairy Expo in Madison, Wisconsin and was a guest of the Milk Marketing Board of England and Wales for two weeks.

During her year, Donna gave 360 school presentations and attended 98 special events which included store and mall promotions, fairs and parades, banquets, annual meetings and County Dairy Princess Competitions. Donna was also interviewed by more than 70 newspapers and 27 radio and television stations.

Donna represented the producers of the province with a great deal of enthusiasm. She had a special speaking quality that inspired others.

Following her reign, Donna returned to Bell High School in Nepean to complete her Grade 13 year.